



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

RICK SNYDER  
GOVERNOR

R. KEVIN CLINTON  
STATE TREASURER

March 24, 2015

Jeff Bankowski, Director  
Office of Internal Audit Services  
Office of the State Budget  
George W. Romney Building  
111 South Capitol, 6<sup>th</sup> Floor  
Lansing, MI 48913

Dear Mr. Bankowski,

In accordance with the State of Michigan, Financial Management Guide, Part VII, the following is a summary table identifying our response and corrective action plan to address recommendations contained within the Office of the Auditor General's Performance Audit of the Principal Residence Exemption, Report Number 271-0245-14, from October 1, 2011 – June 30, 2014.

1. Audit recommendations the agency complied with:

**Contractual Compliance Over Data Security:**

We recommend that the Department ensure that its vendor complies with all of the provisions of the PRE audit services contract related to data security.

**Agency Plan:**

The Department, including the Office of Privacy and Security, conducted a thorough review of the vendor's data controls. This review included the results of an independent, third-party review of security controls at the location of the vendor's data center provider. The Department is confident that the vendor has adequate controls in place to ensure the confidentiality, integrity, and availability of data. The Department will continue to gather documentation to ensure that the vendor conducts security risk assessments, security audits, and an annual certification that all security control requirements are working as intended. The contract compliance inspector will continue to work closely with the Office of Privacy and Security to ensure all aspects of the contract terms related to data security are annually met.

**Use of Restricted Funds:**

We recommend that the Department properly charge expenditures to the PRE Fund.

**Agency Plan:**

All expenditures for the Principal Residence Exemption audit program for fiscal year 2014 are now properly charged to the Principal Residence Property Tax Exemption Audit Fund. Future expenses will first be charged to the fund.

2. Audit recommendations the agency agrees with and will comply:

**Oversight and Collection of PRE Interest:**

We recommend that the Department establish procedures to ensure that local governmental units remit the proper amount of PRE interest to the Department.

**Agency Plan:**

The Department is exploring whether there is a better methodology in estimating the potential interest provided by the vendor and whether there is an audit methodology to accurately determine if local governmental units have remitted the proper amount of PRE interest. By July 1, 2015, the Department will make a determination as to the proper methodology in estimating the potential interest and establish the proper formal procedures.

3. Audit recommendations the agency disagrees with: None

Should you have any questions regarding the summary table or corrective action plan, please contact Larry Steckelberg at (517) 241-3733 or at [SteckelbergL@michigan.gov](mailto:SteckelbergL@michigan.gov).

Sincerely,

Signature Redacted

Wayne Wofkman, Deputy State Treasurer  
Local Government

Cc: Dennis Muchmore, Executive Office  
Wendy Wisniewski, Executive Office  
Doug Ringler, Office of the Auditor General  
Mary Ann Cleary, House Fiscal Agency  
Ellen Jeffries, Senate Fiscal Agency  
Laura Cox, House Appropriations Sub-committee  
Jim Stamas, Senate Appropriations Sub-committee  
Jeff Farrington, House Standing Committee  
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