

EXECUTIVE DIGEST

**BUREAU OF LOCAL GOVERNMENT SERVICES**

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**INTRODUCTION**

This report contains the results of our performance audit of the Bureau of Local Government Services, Department of Treasury, for the period January 1, 1992 through September 30, 1995.

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**AUDIT PURPOSE**

This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are conducted on a priority basis related to the potential for improving effectiveness and efficiency.

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**BACKGROUND**

The Bureau of Local Government Services provides various services to local units of government through its four divisions:

The Property Tax Division provides staff support to the State Tax Commission, which consists of three members appointed by the Governor. The functions of the State Tax Commission include overseeing the operations of local assessors and county equalization directors.

The Assessor Certification Division provides staff support to the State Assessor's Board, which consists of five members appointed by the Governor. The Board approves and conducts training courses and administers examinations for assessing officers.

The Local Audit and Finance Division reviews and conducts audits. It also administers the various programs relating to counties and local units of government. The Division maintains a uniform chart of accounts for local units of government, monitors pari-mutuel operations (see glossary on page 26 for definition) at racetracks, and analyzes State and local bonding proposals.

The Local Property Services Division administers the delinquent local property tax program and the Special Assessment Deferment Fund (see glossary on page 26 for definition).

The Bureau had 78 employees as of September 30, 1995 and expended approximately \$5.6 million in fiscal year 1994-95.

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**AUDIT  
OBJECTIVES  
AND  
CONCLUSIONS**

**Audit Objective:** To assess the Bureau's effectiveness and efficiency related to administering the functions of the property tax program and the training and certification of assessors.

**Conclusion:** We concluded that the Bureau was generally effective and efficient in administering the functions of the

property tax program and the training and certification of assessors. However, our audit disclosed the following material condition (see glossary on page 26 for definition):

- The Property Tax Division had not established controls to ensure that industrial and commercial facility taxes (see glossary on page 26 for definition) were properly remitted to the State by local units of government (Finding 1).

The Division agreed with this finding and indicated that it will comply.

Our audit also disclosed a reportable condition (see glossary on page 26 for definition) related to the recording of refunds (Finding 2).

**Audit Objective:** To assess the Bureau's effectiveness and efficiency related to reviewing and conducting audits of local units of government and monitoring pari-mutuel operations at racetracks.

**Conclusion:** We concluded that the Bureau could improve its effectiveness and efficiency in reviewing and conducting audits of local units of government and monitoring pari-mutuel operations at racetracks. Our assessment disclosed reportable conditions related to local unit of government audits, audit report reviews, audit report management letters, county audits, pari-mutuel audits, and audit revenues (Findings 3 through 8).

**Audit Objective:** To assess the Bureau's effectiveness and efficiency related to administering the sale of tax liens on lands with delinquent local property taxes and the Special Assessment Deferment Fund.

**Conclusion:** We concluded that the Bureau was generally effective and efficient in administering the sale of tax liens on lands with delinquent property taxes and the Special Assessment Deferment Fund. However, our assessment disclosed reportable conditions related to an automated system for the delinquent tax lien sale program (see glossary on page 26 for definition), administration fees for the delinquent tax lien sale program, revenue and accounts receivable reconciliations, and the Special Assessment Deferment Fund (Findings 9 through 12).

**Audit Objective:** To assess the Bureau's compliance with applicable laws that could have a material effect on its major programs.

**Conclusion:** We concluded that the Bureau generally complied with applicable laws which could have a material effect on its major programs. However, our assessment disclosed reportable conditions related to personal property assessments, county equalization department (see glossary on page 26 for definition) directors, and filing fees for debt obligations (Findings 13 through 15).

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**AUDIT SCOPE  
AND  
METHODOLOGY**

Our audit scope was to examine the program and other records of the Bureau of Local Government Services for the period January 1, 1992 through September 30, 1995. Our

audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Our methodology included interviewing various personnel and reviewing reports and procedures to gain an understanding of Bureau operations and to form a basis for selecting certain operations for audit.

We examined the procedures and records related to establishing the annual State equalized valuations (see glossary on page 26 for definition) and supervising the general property tax laws. We reviewed the techniques used in assessing valuations of public utilities. We tested compliance with industrial and commercial facility tax exemption certificate requirements. We also tested local assessors' and county equalization directors' certification levels for compliance with State laws.

We analyzed the processes related to audits of counties and local units of government, audits completed by public accounting firms, pari-mutuel audits of racetracks, and the processing of applications for municipalities to borrow funds.

We evaluated the procedures and tested records related to the annual sale of tax liens on lands and the Special Assessment Deferment Fund.

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**AGENCY  
RESPONSES  
AND PRIOR AUDIT  
FOLLOW-UP**

Our audit report includes 15 findings and 17 corresponding recommendations. The Department's preliminary response indicated that it agreed with 15 of our recommendations and had implemented or would take steps to implement them.

The Department had complied with 10 of our 15 prior audit recommendations. Five of the prior audit recommendations are repeated in this report.