MICHIGAN

OFFICE OF THE AUDITOR GENERAL

AUDIT REPORT

PERFORMANCE AUDIT
OF

SEVERANCE AND MOTOR CARRIER FUEL TAX COLLECTIONS

DEPARTMENT OF TREASURY

June 2008

THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

271-0220-07

The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.

– Article IV, Section 53 of the Michigan Constitution

Audit report information can be accessed at:
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Office of the Auditor General

REPORT SUMMARY

Performance Audit
Severance and Motor Carrier Fuel Tax Collections
Department of Treasury

Report Number:
271-0220-07

Released:
June 2008

The Department of Treasury collects a severance tax from each producer or from a pipeline company, common carrier, or purchaser for and on behalf of a producer engaged in the business of producing oil and gas. Also, the Department collects a tax on motor fuel used by interstate motor carriers licensed in Michigan imposed by the Motor Carrier Fuel Tax Act for the privilege of using Michigan public roads and highways.

Audit Objective:
To assess the effectiveness of the Department's efforts in pursuing opportunities to detect underpayment or non-payment of severance and motor carrier fuel taxes.

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Audit Conclusion:
We concluded that the Department's efforts in pursuing opportunities to detect underpayment or nonpayment of severance taxes were not effective. We also concluded that the Department's efforts in pursuing opportunities to detect underpayment or nonpayment of motor carrier fuel taxes were effective. We noted one material condition (Finding 1) and one reportable condition (Finding 2).

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Material Condition:
The Department had not developed a comprehensive tax administration process to help ensure taxpayer compliance with applicable severance tax statutes (Finding 1).

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Reportable Condition:
The Department of Treasury did not complete the percentage of audits of interstate motor carriers required by the International Fuel Tax Agreement (IFTA) audit guidelines. In addition, the Department of Treasury, in conjunction with the Department of State, should assess the opportunity to increase audit efficiency by sharing data and considering statutory revisions that would allow for combining audit functions and performing simultaneous audits of IFTA and International Registration Plan registrants. (Finding 2)

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Noteworthy Accomplishments:
In 2007, the Department implemented a process that enables IFTA interstate motor carriers to electronically file their IFTA returns.

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Agency Response:
Our audit report contains 2 findings and 3 corresponding recommendations. The Department's preliminary response indicates that it agrees with all of the recommendations and will comply.

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A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: http://audgen.michigan.gov

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THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

June 27, 2008

Mr. Robert J. Kleine
State Treasurer
Richard H. Austin Building
Lansing, Michigan

Dear Mr. Kleine:

This is our report on the performance audit of Severance and Motor Carrier Fuel Tax Collections, Department of Treasury.

This report contains our report summary; description of taxes; audit objective, scope, and methodology and agency responses; comment, findings, recommendations, and agency preliminary responses; five exhibits, presented as supplemental information; and a glossary of acronyms and terms.

The agency preliminary responses were taken from the agency's responses subsequent to our audit fieldwork. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a formal response within 60 days after release of the audit report.

We appreciate the courtesy and cooperation extended to us during this audit.

AUDITOR GENERAL

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SEVERANCE AND MOTOR CARRIER FUEL TAX COLLECTIONS
DEPARTMENT OF TREASURY

Description of Taxes

The Department of Treasury is responsible for administering and enforcing the major tax laws of the State. The Customer Service Bureau administers severance and motor carrier fuel taxes, and the Tax Compliance Bureau conducts all audit and discovery functions.

Severance Tax

The Severance Tax Act (Sections 205.301 - 205.317 of the *Michigan Compiled Laws*) requires each producer or a pipeline company, common carrier, or purchaser for and on behalf of a producer to submit a monthly tax return and remit the severance tax due. Companies or individuals who submit the severance tax compute the tax by applying the applicable tax rate to the gross cash market value of oil and gas produced from Michigan wells. The current tax rates are 6.6% for oil, 5.0% for gas, and 4.0% for oil from marginal and stripper wells. The Department of Treasury collects a separate privilege fee, not to exceed 1.0% (for calendar year 2007, the privilege fee was .65%) of the gross cash market value of oil and gas produced, to cover the costs incurred by the Department of Environmental Quality for monitoring oil and gas production in Michigan.

The Department of Treasury collected the following amount of severance taxes and privilege fees for the fiscal years ended September 30:

	2005	2006	2007
Severance tax revenues	$64,826,000	$87,809,000	$68,143,000
Oil and gas privilege fee	5,393,000	7,781,000	7,298,000
Total	$70,219,000	$95,590,000	$75,441,000

Motor Carrier Fuel Tax

The Motor Carrier Fuel Tax Act (Sections 207.211 - 207.236 of the *Michigan Compiled Laws*) imposes a specific tax on motor fuel used by interstate motor carriers for the privilege of using Michigan public roads and highways. The Department of Treasury collects the tax from interstate motor carriers licensed in Michigan. As part of the International Fuel Tax Agreement (IFTA), the Department distributes the fuel taxes related to the miles driven in other states and Canadian provinces by interstate motor carriers based in Michigan to those other states and provinces.

The Department collected the following amount of motor carrier fuel taxes for the fiscal years ended September 30:

	2005	2006	2007
Motor carrier fuel tax revenues	$27,828,000	$34,078,000	$31,175,000

Audit Objective, Scope, and Methodology and Agency Responses

Audit Objective

The objective of our performance audit* of Severance and Motor Carrier Fuel Tax Collections, Department of Treasury, was to assess the effectiveness* of the Department's efforts in pursuing opportunities to detect underpayment or nonpayment of severance and motor carrier fuel taxes.

Audit Scope

Our audit scope was to examine the program and other records of the Department of Treasury's severance and motor carrier fuel tax collection processes. 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 audit procedures, conducted from June through December 2007, generally covered the period October 1, 2004 through October 31, 2007.

As part of our audit, we prepared supplemental information that relates to our audit objective. Our audit was not directed toward expressing an opinion on this information and, accordingly, we express no opinion on it.

Audit Methodology

We conducted a preliminary review of the Department's severance and motor carrier fuel tax collection processes to formulate a basis for defining our audit objective and scope. This included interviewing Department personnel and reviewing applicable statutes, policies, procedures, reports, and other reference materials.

To assess the effectiveness of the Department's efforts in pursuing opportunities to detect underpayment or nonpayment of severance taxes, we first analyzed the Department's procedures for following up on missing or delinquent severance tax returns. We judgmentally selected taxpayer accounts with gaps in monthly filings to assess the completeness of the Department's follow-up on those accounts.

** See glossary at end of report for definition.*

We analyzed oil and gas production data reported to the Department by severance taxpayers and as reported separately by producers to the Department of Environmental Quality and the U.S. Department of Energy to determine whether significant variances in reported production existed among the data sources. In addition, we reviewed the Department of Environmental Quality oil and gas producer's well drilling application and production reporting requirements to determine if we could identify producers that should have submitted tax returns but did not.

To assess the effectiveness of the Department's efforts in pursuing opportunities to detect underpayment or nonpayment of motor carrier fuel taxes, we first obtained an understanding of the Department's process of collecting motor carrier fuel taxes and its relationship with the International Fuel Tax Association Inc. concerning coordinating tax reporting requirements of motor carriers involved in interstate commerce. We assessed the effectiveness of the Department's process for identifying and following up on interstate motor carriers that do not comply with quarterly reporting and tax remittance requirements. We randomly selected taxpayer accounts with gaps in quarterly filings to assess the effectiveness of the Department's follow-up on those accounts. Also, we reviewed Departmental procedures used to identify motor carriers that conduct interstate operations but were not licensed for the purpose of allocating their motor carrier fuel taxes to the jurisdictions in which they operated. In addition, we compared the Department's International Fuel Tax Agreement (IFTA) audit procedures with the Department of State's International Registration Plan (IRP) audit procedures to evaluate the feasibility of combining audit functions to increase audit efficiency* and reduce costs. Further, we reviewed the number of IFTA and IRP audits performed by the departments to determine if they met IFTA and IRP audit requirements.

According to Section 205.28 of the *Michigan Compiled Laws,* certain aspects of tax auditing and collection, particularly processes used to detect underpayment or nonpayment of taxes, are protected, nonpublic data. As a result, this report summarizes weaknesses in the detection of underpayment or nonpayment of taxes and does not report some of our audit results in detail. We have separately reported specific weaknesses in processes used to detect underpayment or nonpayment of taxes to the Department of Treasury management in accordance with generally accepted government auditing standards.

** See glossary at end of report for definition.*

We use a risk and opportunity based approach when selecting activities or programs to be audited. Accordingly, our audit efforts are focused on activities or programs having the greatest probability for needing improvement as identified through a preliminary review. By design, our limited audit resources are used to identify where and how improvements can be made. Consequently, our performance audit reports are prepared on an exception basis. To the extent practical, we add balance to our audit reports by presenting noteworthy accomplishments for exemplary achievements identified during our audits.

Agency Responses

Our audit report contains 2 findings and 3 corresponding recommendations. The Department's preliminary response indicates that it agrees with all of the recommendations and will comply.

The agency preliminary response that follows each recommendation in our report was taken from the agency's written comments and oral discussion subsequent to our audit fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and the State of Michigan Financial Management Guide (Part VII, Chapter 4, Section 100) require the Department to develop a formal response to our audit findings and recommendations within 60 days after release of the audit report.

COMMENT, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

EFFECTIVENESS OF EFFORTS TO DETECT UNDERPAYMENT OR NONPAYMENT OF TAXES

COMMENT

Audit Objective: To assess the effectiveness of the Department of Treasury's efforts in pursuing opportunities to detect underpayment or nonpayment of severance and motor carrier fuel taxes.

Audit Conclusion: We concluded that the Department's efforts in pursuing opportunities to detect underpayment or nonpayment of severance taxes were not effective. We also concluded that the Department's efforts in pursuing opportunities to detect underpayment or nonpayment of motor carrier fuel taxes were effective. Our audit disclosed one material condition*. The Department had not developed a comprehensive tax administration process to help ensure taxpayer compliance with applicable severance tax statutes (Finding 1).

Our audit also disclosed one reportable condition* related to International Fuel Tax Agreement (IFTA) and International Registration Plan (IRP) audits (Finding 2).

According to Section 205.28 of the *Michigan Compiled Laws*, certain aspects of tax auditing and collection, particularly processes used to detect underpayment or nonpayment of taxes, are protected, nonpublic data. As a result, this report summarizes weaknesses in the detection of underpayment or nonpayment of taxes and does not report some of our audit results in detail. We have separately reported specific weaknesses in processes used to detect underpayment or nonpayment of taxes to the Department of Treasury management in accordance with generally accepted government auditing standards.

Noteworthy Accomplishments: In 2007, the Department implemented a process that enables IFTA interstate motor carriers to electronically file their IFTA returns. This process reduces the need for the Department to manually enter tax return data and helps to eliminate data entry errors.

** See glossary at end of report for definition.*

FINDING

1. **Severance Tax**

The Department had not developed a comprehensive tax administration process to help ensure taxpayer compliance with applicable severance tax statutes. As a result, the Department could not ensure the propriety of severance taxes remitted by taxpayers.

Section 205.303(1) of the *Michigan Compiled Laws* requires that oil and gas producers pay monthly a severance tax to the Department based on the gross cash market value of the oil and gas produced. Alternatively, a pipeline company, common carrier, or common purchaser may pay the tax on behalf of the producers and remit the severance tax only when they have production and a severance tax obligation. From the approximately 18,100 active wells in the State, the Department received the following amount of severance taxes from severance tax filers for the fiscal years ended September 30:

	2005	2006	2007
Severance tax received	$64,826,000	$87,809,000	$68,143,000
Severance tax filers	105	103	103

The Department requires that taxpayers identify the amount of oil and gas purchased from each producer. Also, the Department of Environmental Quality and the Michigan Public Service Commission require that producers submit a monthly report of oil produced and gas sold for each active well.

The development and implementation of a comprehensive tax administration process would help ensure that the State receives the proper amount of severance taxes. A comprehensive process would include identifying or developing databases between Department and external data sources of oil and gas production and analyzing relevant data elements to help ensure the proper payment of taxes.

We compared Michigan oil and gas production data from one external source, the U.S. Department of Energy (DOE), to oil and gas production recorded in the Department's severance tax database for the two fiscal years ended September 30, 2005 and September 30, 2006. Our comparison indicated that oil production recorded in the Department's database exceeded amounts reported by

DOE by 2.4% and gas production recorded in the Department's database was 6.4% less than the amount reported by DOE. However, we were unable to determine the amount of additional severance taxes, if any, that were owed to the State. The Department informed us that some of the differences may be attributable to oil and gas production reporting variances between the data sources.

Also, for the same two-year period, we noted, from a review of severance tax returns, significant variances in oil and gas taxable values from which data taxpayers compute their severance tax. The Department's tax return database included values ranging from $34.46 to $224.58 (median $56.46) per barrel of oil and from $0.00 to $304.14 (median $6.58) per thousand cubic feet of natural gas. However, the Department had not established a process to identify and assess significant variances in oil and gas taxable values reported on severance returns.

RECOMMENDATION

We recommend that the Department develop a comprehensive tax administration process to help ensure taxpayer compliance with applicable severance tax statutes.

AGENCY PRELIMINARY RESPONSE

The Department agrees with the recommendation and informed us that it is in the process of implementing a more comprehensive tax administration process that should be in place for the second quarter of fiscal year 2008-09. The Department informed us that it believes the data captured on the revised Severance Tax Return and processed in the replacement Severance Tax Processing System will meet the objectives conveyed by the Office of the Auditor General to the Department.

Further, the Department informed us that it has made revisions to the 2008 Severance Tax Returns and Schedules to collect Office of Geological Survey well permit numbers and purchaser(s) and share percentage on the production schedule(s) completed by taxpayers. The Department indicated that this information will be maintained in the replacement Severance Tax Processing System.

The Department informed us that it will also review the Severance Tax Act, which dates back to 1929, to determine whether statutory amendments would increase the Department's ability to detect underpayment or nonpayment of severance tax.

FINDING

2. International Fuel Tax Agreement and International Registration Plan Audits

The Department of Treasury did not complete the percentage of audits of interstate motor carriers required by IFTA audit guidelines. In addition, the Department of Treasury, in conjunction with the Department of State, should assess the opportunity to increase audit efficiency by sharing data and considering statutory revisions that would allow for combining audit functions and performing simultaneous audits of IFTA and IRP registrants. Sharing data and combining IFTA and IRP audit functions could improve the departments' ability to meet the IFTA and IRP audit requirements.

IFTA and IRP are cooperative agreements among all 48 states in the continental United States and most Canadian provinces for the payment of fuel taxes and the allocation of registration fees by interstate motor carriers. IFTA and IRP provide a uniform reporting method that allows an interstate motor carrier to report and pay motor fuel and diesel fuel taxes and registration fees owed to multiple states to a single base jurisdiction. Motor carriers must keep records of mileage and fuel purchases for each member jurisdiction in which they operate to prepare their quarterly IFTA return. By statute, the Department of Treasury administers and monitors Michigan's IFTA program and, by statute, the Department of State administers and monitors Michigan's IRP program.

During fiscal year 2006-07, the Department of Treasury completed 61 audits and discovered approximately $917,000 in motor carrier fuel tax deficiencies. After IFTA distributions, Michigan's motor carrier fuel taxes for fiscal year 2006-07 totaled approximately $31.2 million. During fiscal year 2006-07, the Department of State completed 156 IRP audits and discovered approximately $194,000 in motor carrier registration fee adjustments. Each state must distribute the IFTA and IRP adjustments that result from its audits, if any, to the applicable state or province. After IRP distributions, Michigan's IRP fees for fiscal year 2006-07 totaled approximately $68.3 million.

We reviewed IFTA and IRP statutory authority and audit functions and noted similar audit procedures for which combined audit functions and performing simultaneous audits could serve both program requirements. For example, each program requires that the departments evaluate the motor carrier's mileage reporting system and records that support the allocation of either fuel taxes or registration fees on the basis of total miles traveled in each jurisdiction. In addition, each program agreement requires that the departments audit at least an average of 3% of the carriers licensed or registered in Michigan for each year of the compliance review period, which could be up to 5 years. Statutory revisions would be necessary to allow the departments to combine their IFTA and IRP audit functions.

We calculated the percentage of IFTA and IRP audits completed by the Department of Treasury and the Department of State for each of the calendar years 2002 through 2006. As shown in the following table, the percentage of IFTA audits completed has declined from 3.1% to 1.4% of licensed carriers, and averaged 2.5% per year for the 5-year period, below the 3% audit requirement:

	IFTA			IRP		
Calendar Year	Licensees	Audits Completed	Percent Audited	Registrants	Audits Completed	Percent Audited
2006	6,478	88	1.4%	8,519	221	2.6%
2005	6,058	150	2.5%	8,061	231	2.9%
2004	5,708	147	2.6%	7,755	49	0.6%
2003	5,776	179	3.1%	7,479	219	2.9%
2002	5,723	175	3.1%	6,928	559	8.1%
Average	5,949	148	2.5%	7,748	256	3.3%

Sources: International Fuel Tax Association Inc. annual reports located at http://www.iftach.org/ and International Registration Plan Inc. annual audit activity reports located at http://www.irponline.org/

The program agreements, with which the states have agreed to comply, provide for a minimal amount of auditing to help ensure the proper distribution of motor carrier fuel taxes and registration fees to each state. Complying with the program agreement requirements helps to maintain the integrity of the programs. The program agreements allow motor carriers to report and pay motor fuel and registration taxes to a single jurisdiction and allow states to efficiently reconcile and registration taxes to a single jurisdiction and allow states to efficiently reconcile and distribute tax payments to the jurisdictions in which the carrier has traveled. Because the Department of Treasury and the Department of State complete similar audit procedures on mileage reporting, combining IFTA and IRP audits may result in efficiency gains for both departments.

RECOMMENDATIONS

We recommend that the Department of Treasury complete the percentage of audits of interstate motor carriers required by IFTA audit guidelines.

We also recommend that the Department of Treasury, in conjunction with the Department of State, assess the opportunity to increase audit efficiency by sharing data and considering statutory revisions that would allow for combining audit functions and performing simultaneous audits of IFTA and IRP registrants.

AGENCY PRELIMINARY RESPONSE

The Department agrees with the recommendations and indicated that it recognizes that membership in the IFTA Compact requires that every effort be made to conduct the required number of audits annually. However, the Department indicated that IFTA audits are performed for compliance purposes and very little revenue is generated from IFTA audits.

The Department informed us that two auditors previously assigned to the IFTA audit team retired during the Office of the Auditor General's audit period, and the 2007 executive order to freeze hiring prevented the Bureau of Tax Compliance from hiring replacement staff. The Department informed us that the Bureau is currently in the process of hiring one replacement auditor. In addition, the Department indicated that changes to the audit period were recently initiated which will ensure that audits of 3% of the licensee population are completed each calendar year. The Department informed us that IFTA now considers a 12-month audit period as an acceptable audit period for member states, rather than a 36-month audit period, and by reducing the scope of auditing to 12 months, the assigned staff will be able to complete a minimum of 30 audits per calendar year.

The Department informed us that it will work with the Secretary of State's IRP Unit to identify opportunities to exchange information and to consider whether statutory changes could mutually benefit both agencies' audit efforts.

SUPPLEMENTAL INFORMATION

SEVERANCE AND MOTOR CARRIER FUEL TAX COLLECTIONS
Department of Treasury

Michigan Petroleum and Natural Gas Data

Michigan Quick Facts:

- Michigan has more natural gas reserves than any other state in the Great Lakes region.
- The Antrim natural gas fields, in the northern Lower Peninsula, are among the largest in the nation.
- Michigan has the most underground natural gas storage capacity in the nation and supplies natural gas to neighboring states during high-demand winter months.
- Michigan is a major generator of electricity from wood and wood waste.
- Natural gas heats roughly 80% of Michigan homes.

Overview:

Resources and Consumption

Michigan has substantial natural gas reserves (more than any other State in the Great Lakes region) but is relatively limited in other energy resources. The State's Antrim natural gas fields in the northern portion of the Lower Peninsula are among the largest in the United States. Michigan has some renewable energy potential, particularly from wood and wood waste in the northern portion of the State, from wind near the Great Lakes shoreline and in the Thumb region of the State, and from corn grown in southern Michigan. Michigan's total energy consumption is high due in part to its large population, northern climate, and active industrial sector. Energy-intensive activities in the State include durable goods manufacturing, such as by the automotive, glass, and metal casting industries.

Petroleum

Michigan has some crude oil production from small wells scattered across the Lower Peninsula and one 100,000-barrel-per-day refinery in Detroit. Two major crude oil pipelines from western Canada, both part of the Lakehead Pipeline system, enter Michigan from the northwest and southwest and supply both Michigan and eastern Canada. Several petroleum product pipeline systems supply Michigan consumption markets, including the Wolverine Pipeline system, which runs from Chicago area refineries to the Detroit area. Michigan's consumption of petroleum products, particularly liquefied petroleum gases, is high; Michigan is the largest residential liquefied petroleum gas market in the nation. Although Michigan does not require the use of motor gasoline blended with ethanol as many states do, the Detroit area requires the use of gasoline blended to reduce evaporative emissions that contribute to ozone formation. As a major corn producer, Michigan also has substantial ethanol production capacity, and additional plants are currently under construction.

Natural Gas

Natural gas production in Michigan is substantial and supplies nearly 30% of State demand. Natural gas wells are concentrated in the Antrim field in the northern portion of the Lower Peninsula. Several major pipelines, including the Vector Pipeline from Illinois and the Great Lakes Gas Transmission line from western Canada, satisfy the remainder of the State's natural gas demand as they cross Michigan on the way to markets in the U.S. Northeast and eastern Canada. With over 10% of U.S. capacity, Michigan has the most underground natural gas storage capacity in the nation and supplies natural gas to neighboring states during high-demand winter months. Driven largely by the residential sector, Michigan's natural gas consumption is high. Nearly 80% of Michigan households use natural gas as their primary energy source for home heating.

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Exhibit 1
(Continued)

Data:

	Michigan	Share of U.S.	Period
Production			
Petroleum	5,828 mbbl	0.3%	2007
Natural gas	365,294 mmcf	1.9%	2006
Consumption			
Petroleum	198,085 mbbl	2.6%	2005
Natural gas	809,099 mmcf	3.5%	2007
Number of Wells			
Crude oil producing	3,871	0.8%	2007
Natural gas producing	9,200	2.1%	2006

	Michigan	U.S. Average	Period
Prices			
Petroleum			
Domestic crude oil first purchase	$91.86/bbl	$85.25/bbl	December 2007
No. 2 Heating oil, residential	$3.041/gal	$3.096/gal	December 2007
No. 2 Diesel fuel sold through retail outlets (excluding taxes)	$2.854/gal	$2.815/gal	December 2007
State tax rate on on-highway diesel (other taxes may apply)	$0.15/gal	$0.2205/gal	July 2007
Natural Gas			
Wellhead	$7.33/mcf	$5.30/mcf	2005
City gate	$7.86/mcf	$8.13/mcf	December 2007
Residential	$10.37/mcf	$12.17/mcf	December 2007

Source: U.S. Energy Information Administration.

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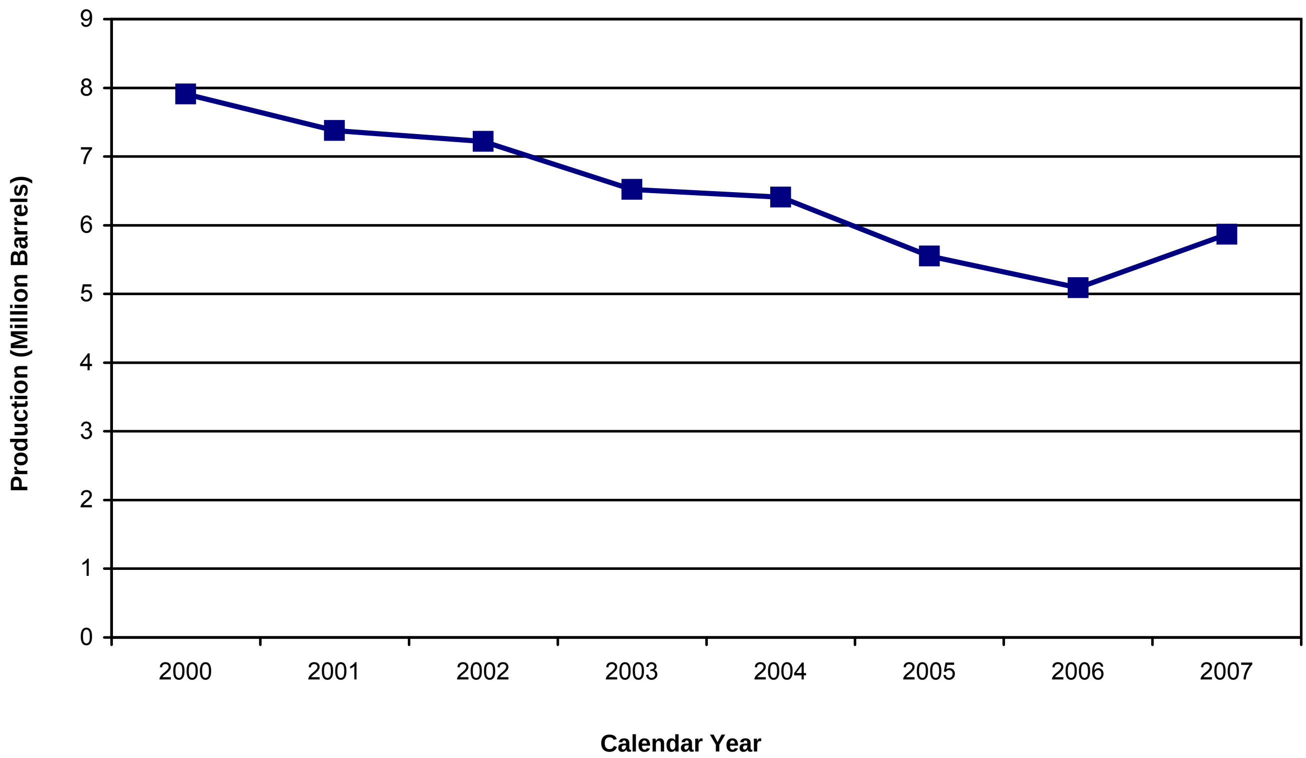
Exhibit 2

SEVERANCE AND MOTOR CARRIER FUEL TAX COLLECTIONS
Department of Treasury

Michigan Crude Oil Production
Calendar Years 2000 through 2007



Source: U.S. Energy Information Administration.

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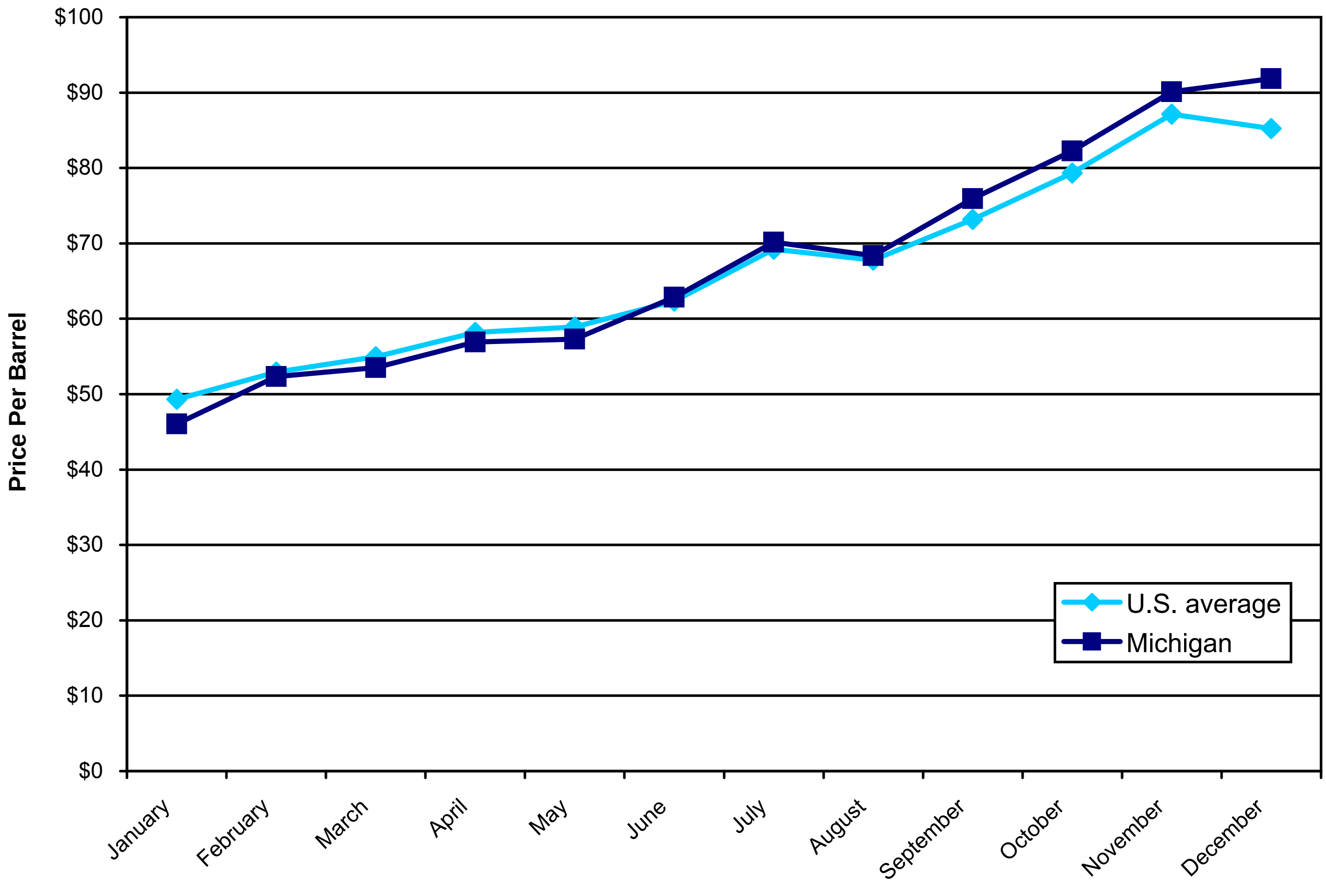
Exhibit 3

SEVERANCE AND MOTOR CARRIER FUEL TAX COLLECTIONS
Department of Treasury

Crude Oil Price
Calendar Year 2007



Source: U.S. Energy Information Administration.

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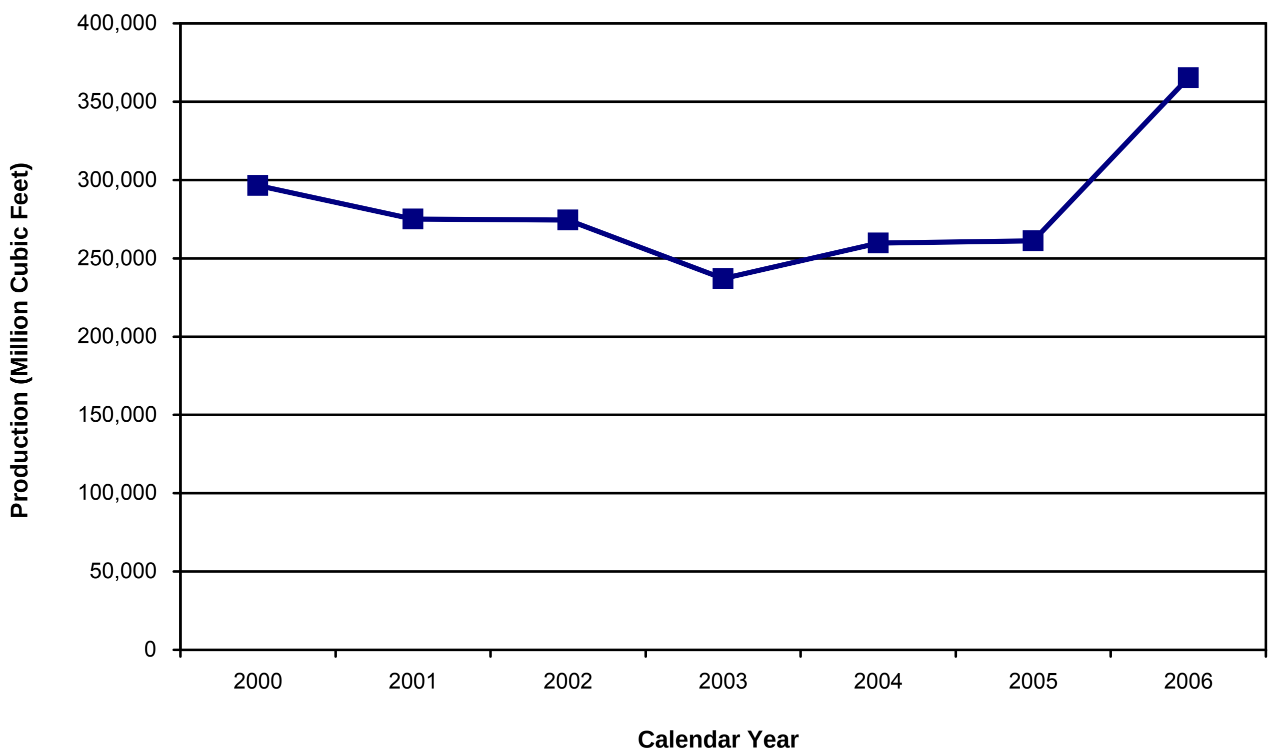
Exhibit 4

SEVERANCE AND MOTOR CARRIER FUEL TAX COLLECTIONS
Department of Treasury

Michigan Natural Gas Production
Calendar Years 2000 through 2006



Source: U.S. Energy Information Administration.

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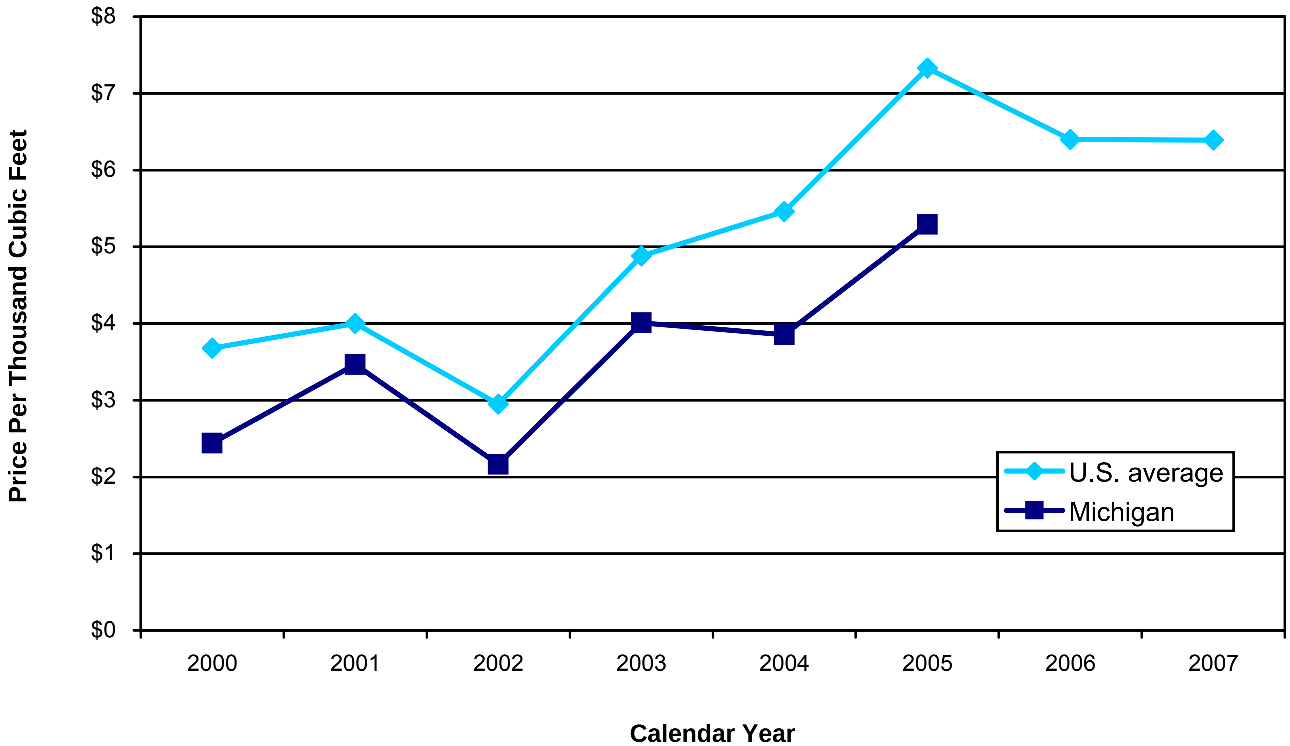
Exhibit 5

SEVERANCE AND MOTOR CARRIER FUEL TAX COLLECTIONS
Department of Treasury

Natural Gas Price
Calendar Years 2000 through 2007



The Michigan data for calendar years 2006 and 2007 was unavailable.

Source: U.S. Energy Information Administration.

GLOSSARY

Glossary of Acronyms and Terms

bbl	barrel.
DOE	U.S. Department of Energy.
effectiveness	Program success in achieving mission and goals.
efficiency	Achieving the most outputs and outcomes practical with the minimum amount of resources.
gal	gallon.
IFTA	International Fuel Tax Agreement.
IRP	International Registration Plan.
material condition	A reportable condition that could impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the judgment of an interested person concerning the effectiveness and efficiency of the program.
mbbl	thousand barrels.
mcf	thousand cubic feet.
mmcf	million cubic feet.
performance audit	An economy and efficiency audit or a program audit that is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or function to improve public accountability and to facilitate decision making by parties responsible for overseeing or initiating corrective action.

reportable condition A matter that, in the auditor's judgment, represents either an opportunity for improvement or a significant deficiency in management's ability to operate a program in an effective and efficient manner.

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