



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

R. KEVIN CLINTON
STATE TREASURER

October 10, 2014

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

Dear Director:

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 Individual Income Tax Division, Report Number 271-0230-14, from October 1, 2010 – March 31, 2014.

1. Audit recommendations the agency complied with: None
2. Audit recommendations the agency agrees with and will comply:

Interest Paid on IIT Refunds:

We recommend that the IIT Division process all IIT returns requiring manual review in a timely manner.

Agency Plan:

The IIT Division annually processes over five million individual income tax returns and approximately 95% of those returns are finalized within the statutorily prescribed 45 days without the payment of any interest. Many of the remaining returns processed after 45 days are either tax due or credit only filings that are not subject or entitled to the payment of interest. In an effort to increase processing speed for the balance of returns that can accrue additional interest, the Division is doing or will do the following:

- To reduce the length of time returns are in an approval queue, we have increased the number of supervisors so that there is a lower staff to supervisor ratio. We also are training additional staff to become peer reviewers in an effort to decrease the review time for returns processed by new employees. These measures will reduce the length of time returns remain in an approval queue and consequently, will mitigate the payment of interest.
- Implemented and will continue to refine a process that systematically identifies returns where taxpayers did not timely respond to requests for additional information. This

process automatically adjusts and finalizes returns based on information we have and helps minimize the payment of interest.

- Implemented a program called “dedicated processing days”. During these days staff is required to focus on return processing priorities and production on these days has increased by 54%.
- Saturday overtime has been implemented and productivity has increased due to easier monitoring and measurement of returns processed.
- The Division has received an appropriation to implement an intelligent workload distribution software product called Genesys iWD. This product will allow for the automated distribution of specific work to specific employees eliminating certain idle time and therefore, increasing productivity. The timing and availability of DTMB resources are still under review for this implementation with an expected completion date of September 30, 2018.
- IIT analyst engages in a monthly review to identify any pending, large refunds for expedited processing to minimize the payment of interest.

Although the above items will help increase processing times and lower the amount of interest paid, it will not be possible to completely avoid interest due to the application of court and policy decisions and available resources.

3. Audit recommendations the agency disagrees with: None

Should you have any questions regarding the summary table or corrective action plan, please contact Scott Lonberger at 517-636-4280 or at LonbergerS@michigan.gov.

Sincerely,

Signature Redacted

Glenn R. White, Deputy State Treasurer
Tax Administration and Oversight

- c: 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
Earl Poleski, House Appropriations Sub-committee
John Pappageorge, Senate Appropriations Sub-committee
Jeff Farrington, House Standing Committee
Jack Brandenburg, Senate Standing Committee
Tom Saxton, Treasury
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