



COUNTY ADMINISTRATOR
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TO: Wesley Prater, Chair
Ways & Means Committee

THROUGH: Robert E. Guenzel
County Administrator

FROM: Raman Patel
Equalization Director

DATE: July 7th, 2004

SUBJECT: A Resolution authorizing the Washtenaw County Administrator to sign the Personal Property Audit Grant Agreement between the State of Michigan and the Equalization and Property Description Department for the period of July 15, 2004 - Sept 30, 2004.

BOARD ACTION REQUESTED:

The Washtenaw County Equalization Department is requesting the Board of Commissioners authorize the Washtenaw County Administrator to sign the Personal Property Audit Grant Agreement in the amount \$113,750 for the period of July 15, 2004 through Sept 30, 2004 (with the possibility of an extension); approving the budget and authorizing the County Administrator to sign delegate contracts.

BACKGROUND:

On August 5, 2003, the Michigan Department of Treasury announced the establishment of a local unit grant program for the review, discovery, and audit of omitted or incorrectly reported personal property. For the 2003-2004 fiscal year, the Michigan Legislature designated \$7,000,000.00 for this program under Section 926 of Public Act 161 of 2003. Cities, townships and counties are eligible to submit grant applications for approval to the Michigan Department of Treasury to cover a portion of local costs incurred for duties and activities authorized pursuant to MCL 211.22a. On April 7, 2004, an application for a personal property audit grant was submitted to the Michigan Department of Treasury by the Washtenaw County Equalization Department and subsequently approved on May 17, 2004. The approval is subject to the execution of a grant Agreement and the submission of documentation authenticating local unit participation.

DISCUSSION:

Section 211.18 of the General Property Tax Laws directs assessing officers to ascertain the taxable property within the assessing district and the person or firm to whom it should be assessed. Also, section 209.5 MCL states that the Board of Commissioners in each county must determine whether the six classes of real property and total personal property have been equally and uniformly assessed.

The grant will allow Washtenaw County Equalization Department to conduct on-site comprehensive Personal Property audits within Washtenaw County. The audit program will include auditing financial records to determine if personal property has been omitted or incorrectly reported. The grant will reimburse the county for personal property audits completed on accounts having an assessed value of \$25,000 or more. Washtenaw County intends to conduct the majority of the audits in-house, and will consult with auditing firms for certain specialized audits. All external audits will be overseen by internal staff, providing an invaluable growth opportunity for building these skills in-house for future audits of all size and complexity. Specifically, this grant will provide opportunity for training of Equalization department in-office staff to improve their knowledge and skill set on the:

- Fundamentals of discovery, listing and appraisal of personal property for property taxation
- Auditing techniques to verify the filing of and the accuracy of taxpayer’s personal property statements

The grant reimbursement is based on a fee schedule that varies depending on the size of the audit, as outlined below:

<u>Account Size (TCV)</u>	<u>Fee Per Account</u>	<u># of Audits Expected</u>
\$50,000 to \$399,999	\$ 650.00	44
\$400,000 to \$999,999	\$1,350.00	24
\$1,000,000 to \$4,999,999	\$2,000.00	22
\$5,000,000 to \$19,999,999	\$5,250.00	8
\$20,000,000 and greater	\$8,500.00	1

It is estimated that the Fee amount is equivalent to either the total staff wages and benefits required to conduct the audit, or for the amount that will be paid to an external auditing firm. The Fee will be charged to the State for 65% reimbursement. The program is expected to be cost neutral to the county due to the 35% county match for outsourced audits being offset by the 65% reimbursement for those in-house audits for staff time that is already budgeted.

IMPACT ON HUMAN RESOURCES:

The requested board action has no impact on Washtenaw County positions, personnel or procedures.

IMPACT ON BUDGET:

The grant funding is up to \$113,750, based on a 65% reimbursement of the audit fee (variable based on the size of the audit).

IMPACT ON INDIRECT COSTS:

The requested board action has no indirect costs associated with this budget.

IMPACT ON OTHER COUNTY DEPARTMENTS OR OUTSIDE AGENCIES:

The requested board action has no impact on other County departments or outside agencies.

ATTACHMENTS/APPENDICES:

Grant Agreement

A RESOLUTION AUTHORIZING THE WASHTENAW COUNTY ADMINISTRATOR TO SIGN THE GRANT AGREEMENT TO THE STATE OF MICHIGAN FOR PERSONAL PROPERTY AUDIT GRANT FOR THE EQUALIZATION AND PROPERTY DESCRIPTION DEPARTMENT IN THE AMOUNT OF \$113,750 FOR THE PERIOD OF JULY 15, 2004 – SEPT 30, 2004.

WASHTENAW COUNTY BOARD OF COMMISSIONERS

July 7, 2004

WHEREAS, the Michigan Legislature in fiscal year 2003-2004 designated funds for a local unit grant program for the review, discovery, and audit of omitted or incorrectly reported personal property; and

WHEREAS, Section 211.18 of the General Property Tax Laws directs assessing officers to ascertain the taxable property within the assessing district and the person or firm to whom it should be assessed. The auditing program will determine if personal property has been correctly reported; and

WHEREAS, an application for the personal property audit grant for Washtenaw County was submitted to the State of Michigan on April 7, 2004 for a total of \$113,750, which represents 65% of the total audit program cost for audits to be completed by September 30, 2004; and

WHEREAS, Washtenaw County Equalization Department desires to conduct on-site Personal Property audits and to contract audit firms for leadership and training on certain specialized audits; and

WHEREAS, Washtenaw County Equalization Department desires to use this as an opportunity to receive audit training for the Personal Property Auditor in order to prepare the county to complete the more complex audits in-house in the future; and

WHEREAS, the grant will reimburse the County for audits completed on accounts having an assessed value of \$25,000 or more; and

WHEREAS, this matter has been reviewed by Corporation Counsel, the Finance Department, Human Resources, the County Administrator's Office and the Ways & Means Committee.

NOW THEREFORE BE IT RESOLVED that the Washtenaw County Board of Commissioners hereby authorizes the signature of the County Administrator on the application with the State of Michigan Department of Treasury in the amount of \$113,750 for the period of July 15, 2004 through September 30, 2004, as on file with the County Clerk.

BE IT FURTHER RESOLVED that the Board of Commissioners authorizes the Administrator to sign delegate contracts in conformity with the award upon review of Corporation Counsel, to be filed with the County Clerk.

BE IT FURTHER RESOLVED that the Board of Commissioners amends the budget, as attached hereto and made a part hereof.

General Fund – Equalization Department
Michigan Department of Treasury
Personal Property Tax Audit
July 15, 2004 – September 30, 2004
Business Unit: 10103100

		<u>Current</u>	<u>Revised</u>	<u>Variance</u>
Revenue:				
54000	State Revenue	\$0	\$113,750	\$113,750
Expenditures:				
80000	Other Services & Charges	\$29,433	\$143,183	\$113,750
	Indirect Costs = \$0			

