



MICHIGAN

OFFICE OF THE AUDITOR GENERAL

AUDIT REPORT



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

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:

<http://audgen.michigan.gov>



Michigan
Office of the Auditor General
REPORT SUMMARY

Performance Audit
Real Estate Acquisitions, Dispositions, and
Land Holdings
Department of Natural Resources

Report Number:
751-0155-11

Released:
June 2012

The Department of Natural Resources (DNR) is authorized by Act 451, P.A. 1994, to control, manage, and dispose of State-owned lands and to accept gifts and grants of land and other property. DNR may buy, sell, exchange, or condemn land and other property on behalf of Michigan citizens. DNR manages 4.6 million acres (12.7% of the total State land area) consisting of State forests; game and wildlife areas; parks and recreation areas; boating, public water, and fishing access sites; and land used for other purposes that benefit the public.

Audit Objective:

To assess the effectiveness of DNR's efforts to ensure that real estate acquisitions, dispositions, and land holdings support DNR's mission and initiatives.

Audit Conclusion:

We concluded that DNR was moderately effective in its efforts to ensure that real estate acquisitions, dispositions, and land holdings support DNR's mission and initiatives. We noted two reportable conditions (Findings 1 and 2).

Reportable Conditions:

DNR's process to dispose of non-essential land holdings identified by its Land Ownership Strategy was not effective (Finding 1).

DNR should seek remedies, with the assistance of the Department of Corrections (DOC); the Department of Technology, Management, and Budget (DTMB); and the Governor's office, to

demolish, restore to recreational value, or sell vacated correctional facilities located on State-owned land. In addition, DNR did not always execute and maintain formal agreements with DOC that specified DOC's responsibilities for the maintenance, demolition, and restoration associated with the vacated correctional facilities located on State-owned land (Finding 2).

~ ~ ~ ~ ~

Audit Objective:

To assess the effectiveness of DNR's administration of real estate acquisition and disposition transactions.

Audit Conclusion:

We concluded that DNR was effective in its administration of real estate acquisition and disposition transactions. Our audit report does not include any reportable conditions related to this audit objective.

~ ~ ~ ~ ~

Agency Response:

Our audit report contains 2 findings and 3 corresponding recommendations. DNR's preliminary response indicates that it agrees with all 3 recommendations.

~ ~ ~ ~ ~

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>



Michigan Office of the Auditor General
201 N. Washington Square
Lansing, Michigan 48913

Thomas H. McTavish, C.P.A.
Auditor General

Scott M. Strong, C.P.A., C.I.A.
Deputy Auditor General



STATE OF MICHIGAN
OFFICE OF THE AUDITOR GENERAL
201 N. WASHINGTON SQUARE
LANSING, MICHIGAN 48913
(517) 334-8050
FAX (517) 334-8079

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

June 13, 2012

Mr. Timothy L. Nichols, Chair
Natural Resources Commission
and
Mr. Rodney A. Stokes, Director
Department of Natural Resources
Stevens T. Mason Building
Lansing, Michigan

Dear Mr. Nichols and Mr. Stokes:

This is our report on the performance audit of Real Estate Acquisitions, Dispositions, and Land Holdings, Department of Natural Resources.

This report contains our report summary; description; audit objectives, scope, and methodology and agency responses and prior audit follow-up; comments, findings, recommendations, and agency preliminary responses; five exhibits, presented as supplemental information; and a glossary of acronyms and terms.

Our comments, findings, and recommendations are organized by audit objective. 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 plan to comply with the audit recommendations and submit it within 60 days after release of the audit report to the Office of Internal Audit Services, State Budget Office. Within 30 days of receipt, the Office of Internal Audit Services is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

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

Sincerely,

A handwritten signature in black ink that reads "Thomas H. McTavish".

Thomas H. McTavish, C.P.A.
Auditor General

TABLE OF CONTENTS

REAL ESTATE ACQUISITIONS, DISPOSITIONS, AND LAND HOLDINGS DEPARTMENT OF NATURAL RESOURCES

	<u>Page</u>
INTRODUCTION	
Report Summary	1
Report Letter	3
Description	7
Audit Objectives, Scope, and Methodology and Agency Responses and Prior Audit Follow-Up	10
COMMENTS, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES	
Effectiveness of DNR's Efforts to Ensure That Real Estate Acquisitions, Dispositions, and Land Holdings Support DNR's Mission and Initiatives	14
1. Non-Essential Land Holdings	14
2. Correctional Facility Land Use	16
Effectiveness of DNR's Administration of Real Estate Acquisition and Disposition Transactions	18
SUPPLEMENTAL INFORMATION	
Exhibit 1 - Map of State-Owned Land	21
Exhibit 2 - State-Owned Land by County	22
Exhibit 3 - Camp Waterloo Photographs	24

Exhibit 4 - Camp Brighton and Associated Outbuilding Photographs	26
Exhibit 5 - Memorandum of Understanding Between DOC and DNR for Camp Waterloo	28

GLOSSARY

Glossary of Acronyms and Terms	34
--------------------------------	----

Description

As its mission*, the Department of Natural Resources (DNR) is committed to the conservation, protection, management, use, and enjoyment of the State's natural and cultural resources for current and future generations.

To accomplish its mission, DNR administers State-owned land on behalf of Michigan's citizens. The Michigan Constitution of 1963 and Act 451, P.A. 1994 (the Natural Resources and Environmental Protection Act), require DNR to conserve and protect the natural resources of the State and to provide and develop facilities for outdoor recreation. The Natural Resources and Environmental Protection Act also bestows DNR with the power and jurisdiction to control, manage, and dispose of lands under the public domain, except for those lands under the public domain that are managed by other State agencies to carry out their assigned duties and responsibilities. Further, DNR is authorized by the Natural Resources and Environmental Protection Act to accept gifts and grants of land and other property and may buy, sell, exchange*, or condemn land and other property on behalf of Michigan citizens.

DNR is entrusted with the care and management of 4.6 million acres of State-owned non-platted land*, comprising 12.7% of the total State of Michigan land area (see Exhibits 1 and 2). Also, DNR manages platted land*, rail trail parcels*, and linear State park parcels*. DNR-managed State-owned land consists of State forests; State game and wildlife areas; State parks and recreation areas; boating, public water, and fishing access sites; and land used for other purposes that benefit the public. The largest portion of these State-owned lands (3.81 million acres) is encompassed in State forests administered by DNR's Forest Resources Division. Other State-owned lands are administered by the Parks and Recreation Division, the Wildlife Division, and the Fisheries Division. The four DNR Divisions establish land needs and consolidation* goals in their respective strategic plans.

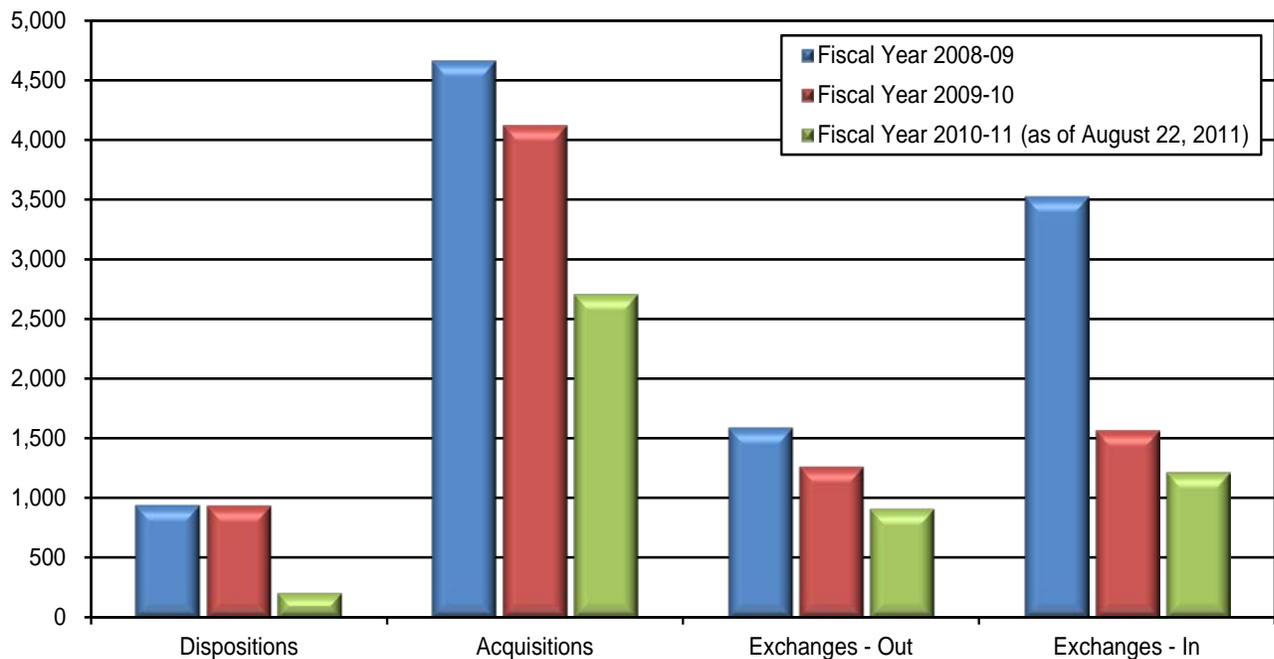
The majority of the lands managed by DNR came into State ownership as a result of tax reversion. DNR has purchased other lands specifically for natural resource and outdoor recreation values using restricted funds, including the Michigan Natural Resources Trust

* See glossary at end of report for definition.

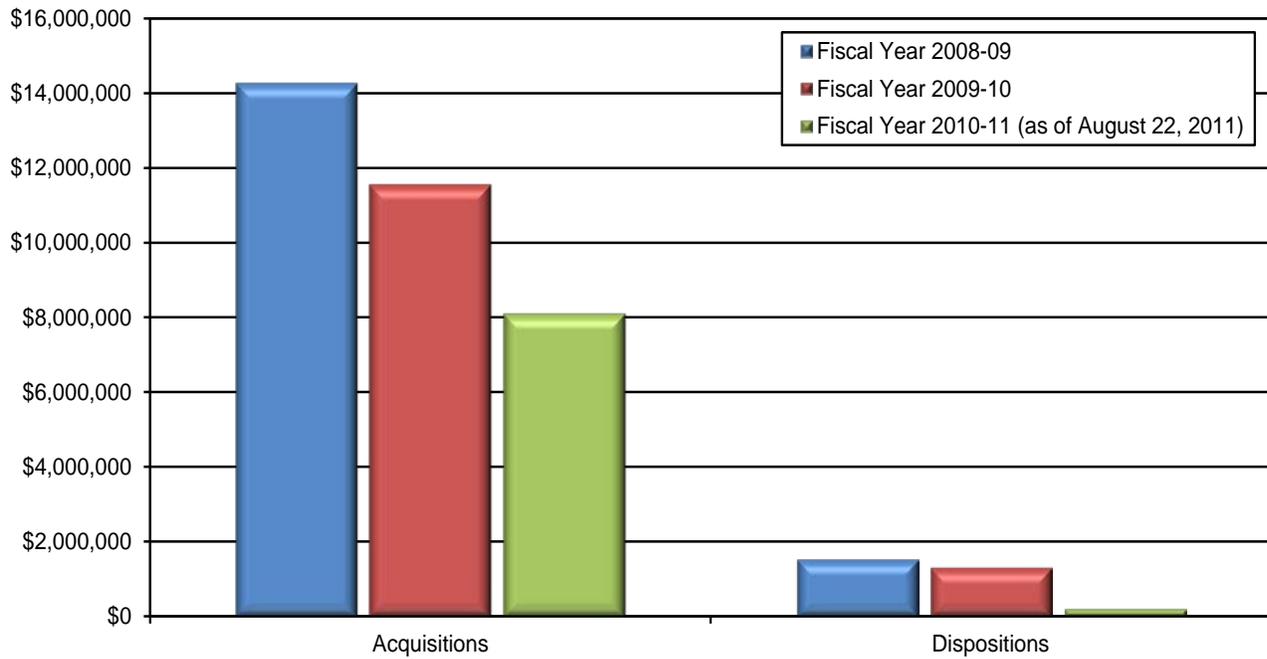
Fund, revenues from hunting and fishing licenses, State park fees, and proceeds from the sale of forest products. Whether the lands were acquired by tax reversion or purchase, the State makes payments in lieu of taxes or swamp tax payments on all of these lands to local governments through DNR's appropriations.

DNR's Real Estate Section (RES) is responsible for the administration of real estate transactions, including the acquiring, selling, auctioning, and exchanging of State-owned lands. The following charts show the acres and dollars associated with DNR's real estate transactions in fiscal years 2008-09, 2009-10, and 2010-11 (as of August 22, 2011):

Acres Acquired and Disposed of by Fiscal Year



Amounts Paid and Received for Acres Acquired and Disposed of by Fiscal Year



RES had expenditures of \$1.6 million during fiscal year 2010-11 and 12 employees as of September 30, 2011.

Audit Objectives, Scope, and Methodology and Agency Responses and Prior Audit Follow-Up

Audit Objectives

Our performance audit* of Real Estate Acquisitions*, Dispositions*, and Land Holdings*, Department of Natural Resources (DNR), had the following objectives:

1. To assess the effectiveness* of DNR's efforts to ensure that real estate acquisitions, dispositions, and land holdings support DNR's mission and initiatives*.
2. To assess the effectiveness of DNR's administration of real estate acquisition and disposition transactions.

Audit Scope

Our audit scope was to examine program and other records of the Department of Natural Resources' real estate acquisitions, dispositions, and land holdings. Our audit concentrated on State-owned lands for which DNR owned the surface rights. We did not include State-owned lands for which DNR owned only the mineral rights or leased the land from, or to, a private party. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our audit procedures, performed primarily from June through September 2011, included an examination of DNR's records and activities generally for the period October 2008 through August 2011. Our audit procedures also included an examination of DNR's Land Ownership Strategy that began in April 2003 and continued throughout our fieldwork. Further, on November 15, 2011, we visited Camp Brighton and Camp Waterloo correctional facilities located on State-owned land within the Brighton and Waterloo State Recreation Areas, respectively.

As part of our audit report, we included supplemental information that relates to our audit objectives and findings (Exhibits 1 through 5). Our audit was not directed toward expressing an opinion on this information and, accordingly, we express no opinion on it.

* See glossary at end of report for definition.

Audit Methodology

We conducted a preliminary review that consisted of interviewing DNR management, DNR Real Estate Section personnel, and various other DNR personnel. We also reviewed various legislation, State and DNR policies and procedures, DNR real estate data, and other DNR reports and manuals pertinent to DNR real estate acquisitions, dispositions, and land holdings. In addition, we obtained an understanding of DNR's internal control* concerning real estate transactions. Further, we conducted procedures on DNR real estate data to determine the data's reliability. The purpose of the preliminary review was to obtain an understanding of DNR operations related to land acquisition and disposition transactions and its land holdings to plan our audit objectives and scope.

To accomplish our first audit objective, we interviewed DNR staff of the Forest Resources Division, the Parks and Recreation Division, the Wildlife Division, and the Fisheries Division to determine the Divisions' roles in real estate acquisition and disposition transactions and in the administration and management of State-owned land holdings. We reviewed these Divisions' strategic plans as they related to land use, needs, and transactions, including the Divisions' consideration of optimal land holdings. We examined DNR's Land Ownership Strategy that it implemented to manage and consolidate State-owned land holdings. We reviewed the status of the land that DNR identified as surplus. We obtained DNR sale and purchase transaction data and analyzed whether the transactions aligned with DNR's mission and initiatives. We analyzed DNR data of State-owned land holdings. We conducted visits to the closed Camp Brighton and Camp Waterloo correctional facilities located on State-owned land to observe their physical condition.

To accomplish our second objective, we selected a judgmental sample of 45 of 349 real estate acquisition, disposition, and exchange transactions completed by DNR during the period October 1, 2008 through June 13, 2011. We also selected a judgmental sample of 5 of 17 trespass transactions completed by DNR during the period October 1, 2008 through July 5, 2011. We tested the 50 real estate transactions to evaluate DNR's internal control and procedures relating to the sale and purchase of property, including exchange and trespass cases. We obtained purchase, sale, exchange, and trespass information from DNR's land files and validated whether the transactions were made in accordance with existing policies, procedures, laws, and regulations.

* See glossary at end of report for definition.

When selecting activities or programs for audit, we use an approach based on assessment of risk and opportunity for improvement. Accordingly, we focus our audit efforts on activities or programs having the greatest probability for needing improvement as identified through a preliminary review. Our limited audit resources are used, by design, to identify where and how improvements can be made. Consequently, we prepare our performance audit reports on an exception basis.

Agency Responses and Prior Audit Follow-Up

Our audit report contains 2 findings and 3 corresponding recommendations. DNR's preliminary response indicates that it agrees with all 3 recommendations.

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 DNR to develop a plan to comply with the audit recommendations and submit it within 60 days after release of the audit report to the Office of Internal Audit Services, State Budget Office. Within 30 days of receipt, the Office of Internal Audit Services is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

We released our prior performance audit of Real Estate Acquisition and Disposition (75-155-02) in April 2003. Within the scope of this audit, we followed up 3 of the 4 prior audit recommendations. DNR complied with all 3 prior audit recommendations.

COMMENTS, FINDINGS, RECOMMENDATIONS,
AND AGENCY PRELIMINARY RESPONSES

EFFECTIVENESS OF DNR'S EFFORTS TO ENSURE THAT REAL ESTATE ACQUISITIONS, DISPOSITIONS, AND LAND HOLDINGS SUPPORT DNR'S MISSION AND INITIATIVES

COMMENT

Audit Objective: To assess the effectiveness of the Department of Natural Resources' (DNR's) efforts to ensure that real estate acquisitions, dispositions, and land holdings support DNR's mission and initiatives.

Audit Conclusion: We concluded that DNR was moderately effective in its efforts to ensure that real estate acquisitions, dispositions, and land holdings support DNR's mission and initiatives. Our audit disclosed two reportable conditions* related to non-essential land holdings and correctional facility land use (Findings 1 and 2).

FINDING

1. Non-Essential Land Holdings

DNR's process to dispose of non-essential land holdings identified by its Land Ownership Strategy was not effective. As a result, DNR held land that did not meet its mission and initiatives and most likely caused unnecessary costs to the State for land stewardship and payments in lieu of taxes or swamp tax payments.

In 2003, the National Resources Commission* (NRC) established policy 2627 that requires DNR to use its authority to sell lands which it identifies as non-essential and use the resulting funds to purchase in-holdings* and other lands which would enhance DNR's ability to better accomplish its mission. The policy further requires DNR to actively work to consolidate its land holdings through timely and focused use of its authority to exchange lands with willing owners. In response to the policy, DNR implemented a multiphased Land Ownership Strategy to evaluate its land holdings and ownership pattern from a natural resource, ecological, and/or outdoor recreation perspective and to dispose of land holdings that did not contribute to the overall mission of DNR. DNR determined whether the land holdings should be retained under State ownership and administered by DNR, potentially owned or administered by an alternative conservation entity or a local

* See glossary at end of report for definition.

unit of government, or considered non-essential and offered for auction, sale, or exchange. DNR plans to repeat the Land Ownership Strategy every decade.

DNR identified 16,980 acres of non-essential land holdings as a result of its Land Ownership Strategy. Our review of DNR's process to dispose of the non-essential land holdings disclosed:

- a. Between March 2005 and April 2008, the DNR director (at that time) approved and directed the disposal of the non-essential land holdings. However, DNR's Real Estate Section (RES) had not disposed of all non-essential land holdings after the DNR director had approved and directed the disposal of them. As of August 2011, RES had not auctioned, offered for sale, or exchanged 9,390 (55.3%) acres of the identified non-essential land holdings as directed.
- b. DNR's disposal process did not include the option to offer unsold or non-exchanged non-essential land holdings to the Michigan Land Bank Fast Track Authority* (MLBFTA). We identified 2,413 acres of non-essential land holdings (directed for disposal) that were not exchanged or acquired by alternative conservation entities or local units of government and went through the auction process, were not sold, and DNR continued to hold. Act 258, P.A. 2003, provides DNR the authority to offer State-owned lands to the MLBFTA. DNR informed us that some of the 2,413 acres of unsold or non-exchanged non-essential land holdings are appropriate for transfer to the MLBFTA.
- c. DNR had not implemented a monitoring process that utilized Land Ownership Tracking System* (LOTS) queries or reports to manage the status of RES's disposal activity for the identified non-essential lands. A process utilizing LOTS queries or reports would provide DNR with the ability to determine which identified non-essential lands are not in active disposal status and assist DNR, including RES, in making sound management decisions concerning the status of non-essential land holdings.

DNR informed us that, in some instances, it determined that it was more costly to dispose of the non-essential land holdings than to retain the land. However, RES

* See glossary at end of report for definition.

had not conducted a cost-benefit analysis to support this conclusion or demonstrated why it was in the State's best interest for DNR to continue to hold land that did not meet its mission and initiatives.

RECOMMENDATION

We recommend that DNR strengthen its process to dispose of non-essential land holdings identified by its Land Ownership Strategy.

AGENCY PRELIMINARY RESPONSE

DNR agrees with the finding and recommendation and informed us that it will comply.

FINDING

2. Correctional Facility Land Use

DNR should seek remedies, with the assistance of the Department of Corrections (DOC); the Department of Technology, Management, and Budget (DTMB); and the Governor's office, to demolish, restore to recreational value, or sell vacated correctional facilities located on State-owned land. In addition, DNR did not always execute and maintain formal agreements with DOC that specified DOC's responsibilities for the maintenance, demolition, and restoration of vacated correctional facilities located on State-owned land. Allowing correctional facilities on State-owned land to remain vacated and subject to deterioration increases the risk to public safety and the risk of vandalism and public nuisance. Executing and maintaining formal agreements with other State agencies that use State-owned land would help DNR meet its constitutional requirement to protect and conserve the natural resources of the State and provide facilities for outdoor recreation.

We identified 6 DNR land holdings upon which vacated correctional facilities still resided. The 6 vacated correctional facilities and their respective closure dates are:

Camp Baraga	July 29, 1991
Camp Waterloo	August 31, 2001
Camp Brighton	March 24, 2007
Camp Cusino	July 23, 2009
Camp Gilman	September 11, 2009
Camp Lehman	October 30, 2009

We visited the vacated Camp Waterloo and Camp Brighton correctional facilities and noted significant deterioration, vandalism, fire damage, open entry points in the fencing surrounding the correctional facilities, and facility paperwork strewn about unsecured outbuildings (see Exhibits 3 and 4). Both of these correctional facilities reside within public recreational parks that include hiking and equestrian trails and hunting and fishing opportunities. In addition, Camp Waterloo is adjacent to a residential area. Without appropriate restoration, the State-owned lands that these correctional facilities reside on do not align with DNR's mission and initiatives for natural resources conservation or outdoor recreational opportunities.

We determined that DNR had, at one time, entered into formal agreements (use permits or memorandums of understanding) with DOC for the majority of these correctional facilities. The formal agreements described the responsibilities and requirements of DOC for building and maintaining a correctional facility on State-owned land. Some of the formal agreements required DOC to be responsible for any demolition and restoration costs in the event that DOC no longer needed the facility (see Exhibit 5). However, DNR did not execute a formal agreement with DOC for Camp Baraga and the formal agreements for Camps Brighton, Cusino, Gilman, and Lehman had expired prior to DOC vacating these four facilities. DNR did execute a memorandum of understanding with DOC for the closure of Camp Waterloo (see Exhibit 5). As the stewards of State-owned lands, it is critical that DNR execute and maintain current formal agreements with State agencies that use State-owned land administered by DNR for purposes other than natural resources protection, conservation, and outdoor recreation. These formal agreements should provide terms that specify the party responsible for the costs and actions related to maintaining, demolishing, and restoring State-owned land used for other purposes.

The Michigan Constitution and Act 451, P.A. 1994, bestow DNR with the power and jurisdiction over the control, management, and disposition of all land under the public domain, except for those lands under the public domain that are managed by other State agencies to carry out their assigned duties and responsibilities. Because DOC is no longer carrying out assigned duties within the vacated correctional facilities, DNR is once again responsible for the control, management, and disposition of the land. Sound management practices dictate that DNR execute and maintain formal agreements with DOC that specify DNR and DOC responsibilities for using and vacating the State-owned land.

RECOMMENDATIONS

We recommend that DNR seek remedies, with the assistance of DOC, DTMB, and the Governor's office, to demolish, restore to recreational value, or sell vacated correctional facilities located on State-owned land.

We also recommend that DNR execute and maintain formal agreements with DOC that specify DOC's responsibilities for the maintenance, demolition, and restoration of vacated correctional facilities located on State-owned land.

AGENCY PRELIMINARY RESPONSE

DNR agrees with the finding and recommendations and informed us that it will comply.

EFFECTIVENESS OF DNR'S ADMINISTRATION OF REAL ESTATE ACQUISITION AND DISPOSITION TRANSACTIONS

COMMENT

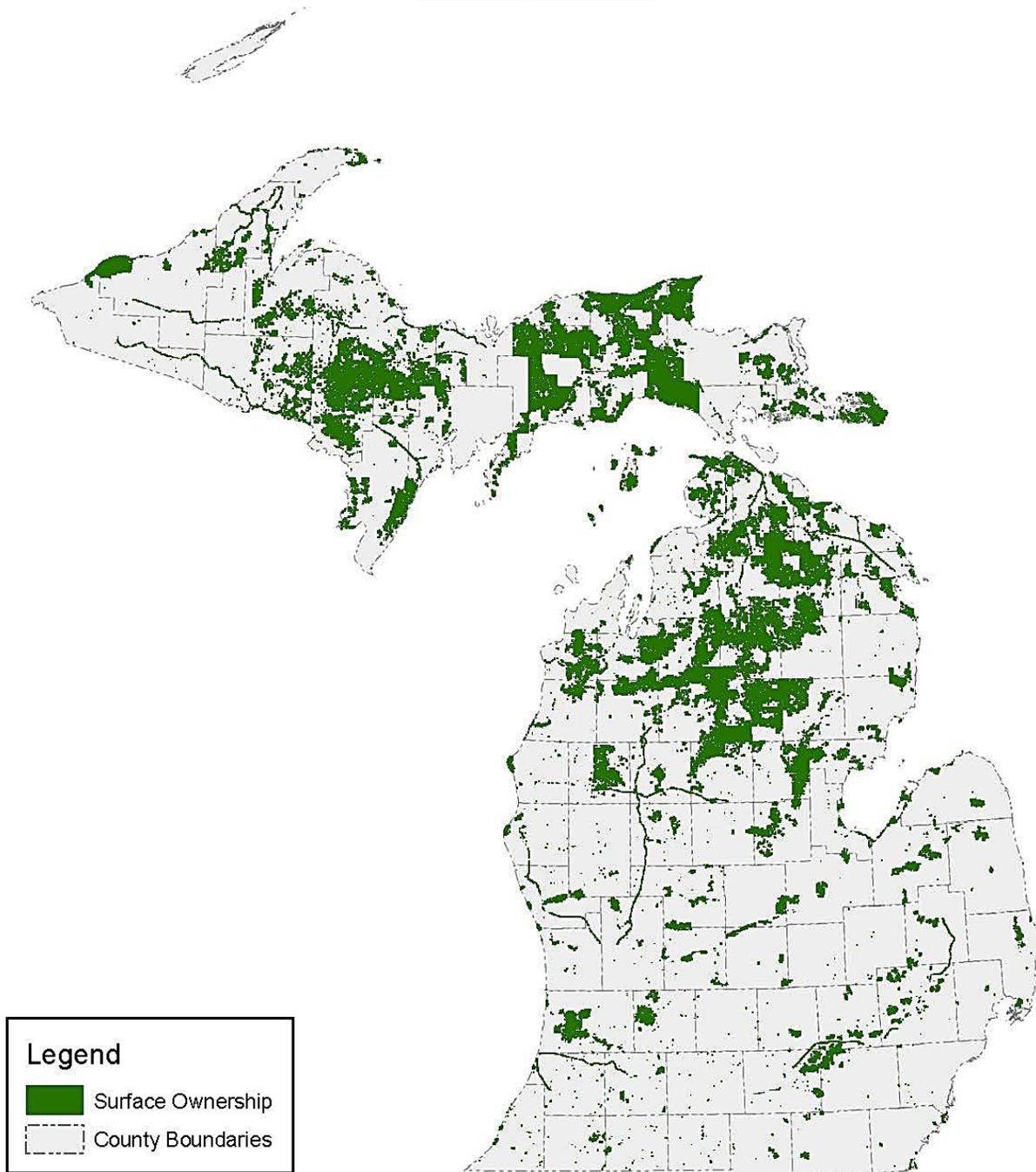
Audit Objective: To assess the effectiveness of DNR's administration of real estate acquisition and disposition transactions.

Audit Conclusion: **We concluded that DNR was effective in its administration of real estate acquisition and disposition transactions.** Our audit report does not include any reportable conditions related to this audit objective.

SUPPLEMENTAL INFORMATION

INTENTIONALLY BLANK PAGE

REAL ESTATE ACQUISITIONS, DISPOSITIONS, AND LAND HOLDINGS
Department of Natural Resources (DNR)
Map of State-Owned Land
As of July 27, 2011



Source: DNR.

REAL ESTATE ACQUISITIONS, DISPOSITIONS, AND LAND HOLDINGS
Department of Natural Resources (DNR)
State-Owned Land by County
As of August 17, 2011

County	Total State-Owned Acres	Total County Acres	Percentage of State-Owned Land Within the County
Alcona	9,131.70	431,635.20	2.12%
Alger	97,470.02	587,411.20	16.59%
Allegan	51,289.61	529,574.40	9.69%
Alpena	49,771.43	367,456.00	13.54%
Antrim	45,170.20	305,241.60	14.80%
Arenac	31,274.43	234,777.60	13.32%
Baraga	78,624.43	578,560.00	13.59%
Barry	25,245.43	355,929.60	7.09%
Bay	7,359.38	284,320.00	2.59%
Benzie	61,464.94	205,638.40	29.89%
Berrien	2,778.36	365,440.00	0.76%
Branch	525.53	324,742.40	0.16%
Calhoun	93.64	453,580.80	0.02%
Cass	4,280.06	314,995.20	1.36%
Charlevoix	58,975.72	266,777.60	22.11%
Cheboygan	187,493.95	457,984.00	40.94%
Chippewa	225,212.56	999,078.40	22.54%
Clare	53,324.99	362,752.00	14.70%
Clinton	10,738.27	365,734.40	2.94%
Crawford	178,779.94	357,196.80	50.05%
Delta	68,550.53	748,819.20	9.15%
Dickinson	224,864.76	490,457.60	45.85%
Eaton	417.29	368,902.40	0.11%
Emmet	78,283.42	299,404.80	26.15%
Genesee	319.19	409,369.60	0.08%
Gladwin	87,408.99	324,352.00	26.95%
Gogebic	12,039.70	705,190.40	1.71%
Grand Traverse	69,076.70	297,644.80	23.21%
Gratiot	17,085.74	364,883.20	4.68%
Hillsdale	3,424.87	383,257.60	0.89%
Houghton	46,058.60	647,500.80	7.11%
Huron	14,205.87	535,372.80	2.65%
Ingham	5,147.11	357,881.60	1.44%
Ionia	11,335.85	366,854.40	3.09%
Iosco	24,339.73	351,430.40	6.93%
Iron	86,980.35	746,470.40	11.65%
Isabella	3,127.42	367,532.80	0.85%
Jackson	18,107.67	452,224.00	4.00%
Kalamazoo	6,368.36	359,590.40	1.77%
Kalkaska	161,147.51	359,052.80	44.88%
Kent	8,920.22	547,948.80	1.63%
Keweenaw	11,037.90	346,220.80	3.19%
Lake	61,103.63	363,161.60	16.83%
Lapeer	13,150.31	418,688.00	3.14%
Leelanau	8,627.34	223,020.80	3.87%
Lenawee	4,420.62	480,320.00	0.92%
Livingston	19,691.42	363,776.00	5.41%
Luce	299,201.31	577,971.20	51.77%

This exhibit continued on next page.

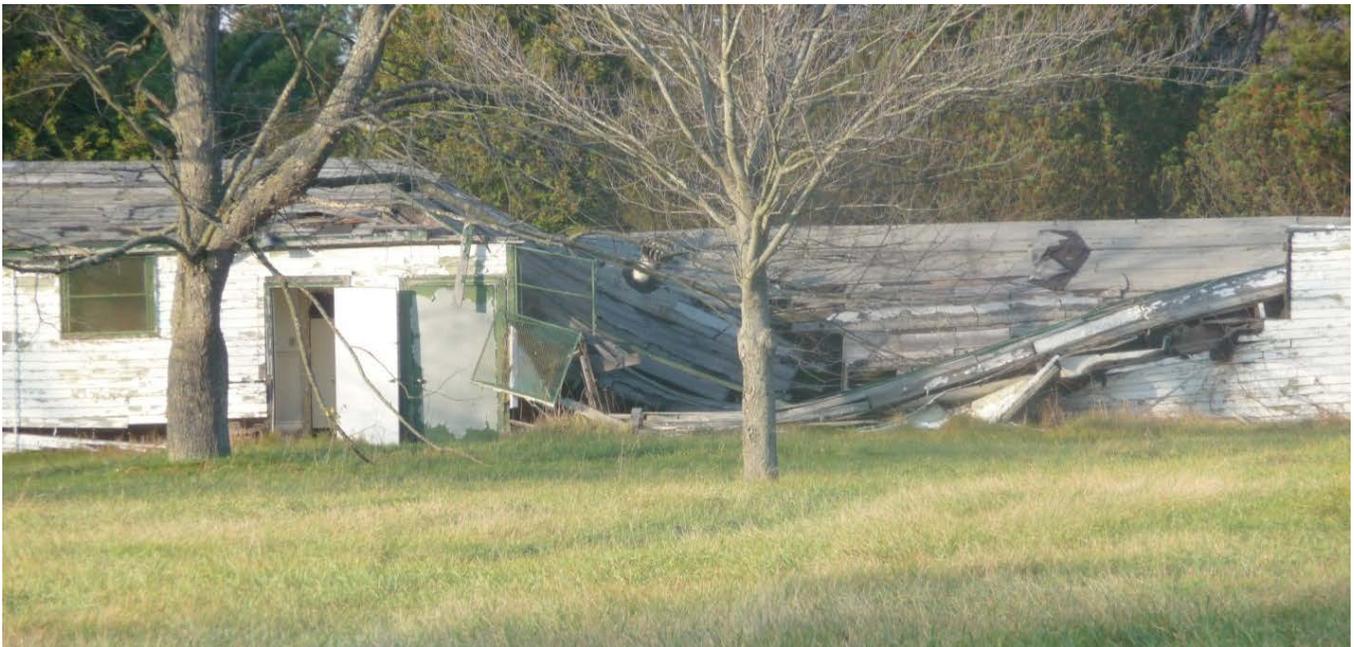
REAL ESTATE ACQUISITIONS, DISPOSITIONS, AND LAND HOLDINGS
Department of Natural Resources (DNR)
State-Owned Land by County
As of August 17, 2011
(Continued)

County	Total State-Owned Acres	Total County Acres	Percentage of State-Owned Land Within the County
Mackinac	215,711.15	653,811.20	32.99%
Macomb	1,215.79	307,481.60	0.40%
Manistee	25,120.73	347,910.40	7.22%
Marquette	261,791.43	1,165,472.00	22.46%
Mason	6,310.75	316,908.80	1.99%
Mecosta	14,868.12	355,641.60	4.18%
Menominee	99,100.38	667,852.80	14.84%
Midland	43,050.23	333,561.60	12.91%
Missaukee	105,010.42	362,720.00	28.95%
Monroe	7,812.85	352,704.00	2.22%
Montcalm	23,131.06	453,145.60	5.10%
Montmorency	138,266.24	350,483.20	39.45%
Muskegon	12,515.92	325,836.80	3.84%
Newaygo	6,890.02	539,116.80	1.28%
Oakland	30,493.63	558,406.40	5.46%
Oceana	5,991.36	345,894.40	1.73%
Ogemaw	77,124.91	361,152.00	21.36%
Ontonagon	67,738.97	839,379.20	8.07%
Osceola	19,540.77	362,227.20	5.39%
Oscoda	56,151.63	361,600.00	15.53%
Otsego	100,348.59	329,305.60	30.47%
Ottawa	3,795.51	362,016.00	1.05%
Presque Isle	88,307.53	422,444.80	20.90%
Roscommon	204,979.86	333,696.00	61.43%
Saginaw	17,173.17	517,715.20	3.32%
Sanilac	12,618.02	616,832.00	2.05%
Schoolcraft	291,311.28	753,990.40	38.64%
Shiawassee	985.54	344,787.20	0.29%
St. Clair	12,098.36	463,596.80	2.61%
St. Joseph	2,364.76	322,380.80	0.73%
Tuscola	31,294.60	519,955.20	6.02%
Van Buren	1,797.46	390,950.40	0.46%
Washtenaw	17,109.95	454,361.60	3.77%
Wayne	2,029.68	393,056.00	0.52%
Wexford	54,849.45	361,913.60	15.16%
Totals	<u>4,602,347.12</u>	<u>36,354,432.00</u>	12.66%

Source: The Office of the Auditor General prepared this exhibit based on unaudited data obtained from DNR.

REAL ESTATE ACQUISITIONS, DISPOSITIONS, AND LAND HOLDINGS

Department of Natural Resources
Camp Waterloo Photographs (see Finding 2)
As of November 15, 2011



REAL ESTATE ACQUISITIONS, DISPOSITIONS, AND LAND HOLDINGS

Department of Natural Resources
Camp Waterloo Photographs (see Finding 2)
As of November 15, 2011
(Continued)



Source: Photographs taken by Office of the Auditor General staff.

REAL ESTATE ACQUISITIONS, DISPOSITIONS, AND LAND HOLDINGS
Department of Natural Resources
Camp Brighton and Associated Outbuilding Photographs (see Finding 2)
As of November 15, 2011



REAL ESTATE ACQUISITIONS, DISPOSITIONS, AND LAND HOLDINGS
Department of Natural Resources
Camp Brighton and Associated Outbuilding Photographs (see Finding 2)
As of November 15, 2011
(Continued)



Source: Photographs taken by Office of the Auditor General staff.

REAL ESTATE ACQUISITIONS, DISPOSITIONS, AND LAND HOLDINGS
Department of Natural Resources (DNR)
Memorandum of Understanding Between DOC and DNR for Camp Waterloo

MEMORANDUM OF UNDERSTANDING
BETWEEN
STATE DEPARTMENT OF CORRECTIONS
AND
STATE DEPARTMENT OF NATURAL RESOURCES
REGARDING CAMP WATERLOO
June 14, 2002

The Michigan Department of Corrections (DOC) operated Camp Waterloo, a correctional inmate work camp, on lands administered by the Michigan Department of Natural Resources (DNR) for a several decades. In August of 2001, DOC closed the Camp, moving remaining inmates and staff to other DOC facilities.

This Memorandum of Understanding (MOU) shall serve as an Agreement between the Departments of Corrections and Natural Resources regarding the responsibilities of each entity to insure that the land upon which the Camp formerly operated shall be returned to exclusive use for public park, recreational and conservation purposes, as required by the deed between the Federal Government and the State of Michigan in 1943.

Camp Waterloo is described as that property located in the NW1/4 of NW1/4, Section 11, T2S, R2E and the SW1/4 of Section 2, T2S, R2E, Waterloo Township, Jackson County. The Department of Corrections administered and operated the Camp. The Department of Natural Resources, Parks and Recreation Bureau, administer the land.

The Department of Natural Resources shall:

1. Take the necessary steps to remove the 4 buildings located on the southeast side of Maute Rd. These buildings are known as Office and Shop building # 80833, Storage Garage #80834, and Equipment Storage Building #82887. There is also one small shed. Action will be contingent upon DOC removing all its materials and equipment from said buildings and grounds by April 1, 2002, as well as having executed Use Permits with Waterloo Township Police and Chelsea Area Fire Authority for use of buildings on the west side of Maute Rd., as identified by DOC.

The Department of Corrections shall:

1. Be responsible for removal of all its materials and equipment from buildings and grounds on the east side of Maute Rd. as stated in #1 above.

REAL ESTATE ACQUISITIONS, DISPOSITIONS, AND LAND HOLDINGS
Department of Natural Resources (DNR)
Memorandum of Understanding Between DOC and DNR for Camp Waterloo
(Continued)

2. Be ultimately responsible for the demolition of all buildings associated with the former Camp, to include all buildings and infrastructure on the north and west side of Maute Road. Demolition of structures and footings shall be to a depth of no less than 2 feet. Adherence to all State and local requirements associated with the demolition of said buildings will be the obligation of DOC.
3. Be responsible for all oversight and any liabilities associated with these structures until such time that they have all been removed from the premises.
4. Be responsible for proper and documented abandonment of all wells on said property per Health Department regulations. Documentation shall be provided to the Manager of Waterloo State Recreation Area.
5. Be responsible for the proper abandonment of the lagoon system and any septic tanks, fields and dosing chambers located on the property. This will include the removal of all valve chambers, manholes, test wells and lift stations that are associated with the lagoon as well as the removal of the berms creating the lagoons so that no ponds remain in place. All work shall be done in accordance with State and local requirements.
6. Be responsible for the cost, abandonment and removal of all utilities and associated infrastructure. All existing underground utilities shall be removed to a depth of no less than 1 foot below grade. This includes electric, water, and gas. Any utility lines remaining below a depth of 1 foot shall be abandoned in accordance with state and local requirements.
7. Be responsible for removing all fencing, posts and concrete foundations on this property, to include the fencing around the established parking lot on the east side of Maute Rd. and the fencing around the lagoon.
8. Be responsible for the removal of all roadways and parking areas. This site shall be returned to its natural state by DOC. Soils and plantings to be used in restoration must receive prior approval of the Manager, Waterloo State Recreation Area, in conjunction with the Stewardship Program Manager, DNR Parks and Recreation Bureau.

REAL ESTATE ACQUISITIONS, DISPOSITIONS, AND LAND HOLDINGS
Department of Natural Resources (DNR)
Memorandum of Understanding Between DOC and DNR for Camp Waterloo
(Continued)

9. Be responsible for any clean up required as a result of solid, industrial or hazardous waste that has been left or spilled on this property. Cleanup shall be in accordance to procedures established by Michigan Dept. of Environmental Quality. Any/all associated costs shall be born by DOC.

William S. Overton, Director
Department of Corrections

K.L. Cool, Director
Department of Natural Resources

(signature redacted)

(signature redacted)

REAL ESTATE ACQUISITIONS, DISPOSITIONS, AND LAND HOLDINGS
Department of Natural Resources (DNR)
Memorandum of Understanding Between DOC and DNR for Camp Waterloo
(Continued)

Attachment to Camp Waterloo MOU between DOC and DNR rev 6/27/02

Existing Sewer System Abandonment

The sewer abandonment shall include removing the manhole casting and cone on each manhole, plugging the sewers at the manholes with masonry plugs, filling the existing manholes with gravel, backfilling the top area where the manhole cone was removed with clean fill and restoring the site.

Lagoon Abandonment - Sludge Removal

Sludge shall be removed from the lagoon by the Contractor in manner approved by State of Michigan, Department of Environmental Quality (MDEQ). This will include a sludge management plan for the sludge disposal. There is no sludge management plan currently. The sludge depth is assumed to be approximately 1.5 feet in the lagoons, approximately 450,000 gallons.

The Contractor shall obtain all permits for sludge disposal and pay all fees associated with such permits.

If land disposal is used for disposal, the Contractor is responsible for site approval and testing associated with this method. If land filling is selected for disposal, the Contractor is also responsible for de-watering, permit fees, dump fees, and testing that may be required. In general, all cost associated with the sludge disposal shall be the responsibility of the Contractor.

The Lagoon Closure Plan will be prepared by the Lessee's Engineer and submitted to PRB.

Lagoon Abandonment - Filling and Abandoning Lagoon Site

After the sludge has been removed from the lagoon, the cells shall be scarified to dry the bottom and filled, to be consistent with surrounding contours, with material from the existing lagoon embankments or additional fill, if needed.

The existing structures at the lagoon site shall be removed. Broken concrete from the structures can be used as fill if covered with 2 feet or more of fill.

When fill is complete and the site has been graded to be consistent with surrounding contours, the site shall be disked and harrowed and seeded with plant ground cover suitable for soil stabilization to allow trees and shrubs to propagate themselves.

Source: DNR.

INTENTIONALLY BLANK PAGE

GLOSSARY

Glossary of Acronyms and Terms

acquisition	The acquiring of land through a purchase or a land exchange.
consolidation	The acquisition of privately owned land located within DNR project boundaries or adjacent to other State-owned lands and conveying parcels that are isolated from other State-owned lands which have minimal outdoor recreation or natural resource value.
disposition	The disposal of land through a sale, an auction, or a land exchange.
DNR	Department of Natural Resources.
DOC	Department of Corrections.
DTMB	Department of Technology, Management, and Budget.
effectiveness	Success in achieving mission and goals.
exchange	Trade of State-owned land for land or property of equivalent or greater value as determined by appraisal.
in-holdings	Privately owned land inside the boundary of a State forest, State park, and/or State game area.
initiatives	Plans, goals, or strategies designed and implemented to help DNR achieve its mission.
internal control	The plan, policies, methods, and procedures adopted by management to meet its mission, goals, and objectives. Internal control includes the processes for planning, organizing, directing, and controlling program operations. It

includes the systems for measuring, reporting, and monitoring program performance. Internal control serves as a defense in safeguarding assets and in preventing and detecting errors; fraud; violations of laws, regulations, and provisions of contracts and grant agreements; or abuse.

land holdings	State-owned lands for which DNR owns the surface rights to the deed land parcel. This does not include land for which DNR owns only the mineral rights or leases the property from, or to, a private party.
Land Ownership Tracking System (LOTS)	The system used by DNR to track land transactions and State-owned land.
linear State park parcels	Rail trail parcels that are dedicated as State parks.
Michigan Land Bank Fast Track Authority (MLBFTA)	A finance authority within the Department of Treasury created by statute (Act 258, P.A. 2003) to assemble and dispose of public property, including tax reverted property, in a coordinated manner to foster the development of that property and to promote economic growth in Michigan and local units of government in Michigan.
mission	The main purpose of a program or an agency or the reason that the program or the agency was established.
Natural Resources Commission (NRC)	Advisors to the DNR director on matters related to natural resources and conservation.
non-platted land	Land for which the property description takes the form of a "metes and bounds" description rather than a lot identification.

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 program operations, to facilitate decision making by parties responsible for overseeing or initiating corrective action, and to improve public accountability.
platted land	Land that has been divided into lots described in a plat plan that is filed in the real estate records of a political entity. DNR does not associate an acreage calculation with most State-owned platted lands.
rail trail parcels	Inactive and active railroad corridor parcels that are managed by DNR for trail purposes. In some instances, they might include adjacent parcels that were never part of a railroad corridor if they are managed as an integral part of a rail trail corridor.
reportable condition	A matter that, in the auditor's judgment, is less severe than a material condition and falls within any of the following categories: an opportunity for improvement within the context of the audit objectives; a deficiency in internal control that is significant within the context of the audit objectives; all instances of fraud; illegal acts unless they are inconsequential within the context of the audit objectives; significant violations of provisions of contracts or grant agreements; and significant abuse that has occurred or is likely to have occurred.
RES	Real Estate Section.

