



Michigan
Office of the Auditor General
REPORT SUMMARY

Performance Audit

*Recreational Watercraft Access and Harbor
Development Activities*
Department of Natural Resources

Report Number:
751-0156-10

Released:
May 2011

The Michigan State Waterways Commission works in an advisory capacity to the Department of Natural Resources (DNR) to provide safe public access to the Great Lakes and inland waters of the State of Michigan. DNR is responsible for the acquisition, construction, and operation of the infrastructure needed to support recreational watercraft access and harbor development activities.

DNR and the Department of Environmental Quality were abolished by Executive Order No. 2009-45 and combined and renamed the Department of Natural Resources and Environment effective January 17, 2010. The Department of Natural Resources and Environment was abolished by Executive Order No. 2011-11 and again split into two separate departments, the Department of Natural Resources and the Department of Environmental Quality, effective March 13, 2011. Our audit objectives were developed based on DNR operations of recreational watercraft access and harbor development activities. Our audit recommendations are directed to DNR as it will be responsible for corrective action.

Audit Objective:

To assess the effectiveness of DNR's process for identifying and funding recreational watercraft access and harbor development projects.

Audit Conclusion:

We concluded that DNR's process was effective for identifying and was not effective for funding recreational watercraft access and harbor development projects. We noted one material condition (Finding 1) and one reportable condition (Finding 2).

Material Condition:

DNR did not comply with State law when expending State restricted funding for State and local waterways projects. In addition, DNR did not comply with State law to seek legislative approval for increased budgetary authorizations when local waterways project costs exceeded amounts identified and authorized in its capital outlay appropriations acts. Further, DNR did not ensure that only reasonable costs were reimbursed for a local waterways project. As a result, DNR spent \$4,024,946 of State restricted funds for recreational watercraft access and harbor development project costs without authorization from the Legislature and reimbursed a local community for \$17,800 in questionable costs. (Finding 1)

Reportable Condition:

DNR had not fully implemented an effective project management process over its capital outlay projects of State recreational watercraft access sites and harbors or its grants awarded to local communities to assist with local infrastructure projects. A comprehensive list of projects, including total project costs and standardized records retention, would help DNR ensure that its State and local waterways projects were properly approved; identified by

need; and completed within defined scope, quality, time, and cost constraints. (Finding 2)

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Audit Objective:

To assess the effectiveness of DNR's efforts to monitor the construction and maintenance of recreational watercraft access and harbor development projects.

Audit Conclusion:

We concluded that DNR was moderately effective in its efforts to monitor the construction and maintenance of recreational watercraft access and harbor development projects. We noted two reportable conditions (Findings 3 and 4).

Reportable Conditions:

DNR did not conduct timely inspections of local waterways recreational watercraft access sites and harbors to ensure that site operators were in compliance with contract requirements. Also, DNR did not maintain an accurate and complete listing of either the inspections due or the inspection results. Without timely inspections, DNR cannot ensure that recreational watercraft facilities and harbors are appropriate for public use and properly maintained as required by the contract. Poorly maintained recreational watercraft access sites and harbors may lead to the injury of recreational boaters, the injury of site and harbor employees, the shortening of site and harbor life spans, and a negative public image for DNR. (Finding 3)

DNR had not implemented a process to record all complaints received and track their resolution. Also, DNR did not place e-comment in a location on its Web site that is easily accessible or provide a link to e-comment within the DNR Facebook and Twitter pages. Recording and tracking complaints could help DNR ensure proper resolution of complaints,

evaluate the effectiveness and efficiency of its staff, monitor its recreational watercraft access and harbor development sites, and identify the need for capital outlay improvements. (Finding 4)

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Audit Objective:

To assess the effectiveness and efficiency of DNR's efforts to administer the restricted funds for recreational watercraft access and harbor development activities.

Audit Conclusion:

We concluded that DNR was effective and efficient in its efforts to administer the restricted funds for recreational watercraft access and harbor development activities. However, we noted one reportable condition (Finding 5).

Reportable Condition:

DNR had not implemented effective controls to ensure that payroll costs were accurately allocated to the restricted funds for recreational watercraft access and harbor development activities. This initially resulted in estimated overcharges to the waterways account and a reduction of funds available for State and local waterways projects of approximately \$291,000. (Finding 5)

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Agency Response:

Our audit report contains 5 findings and 9 corresponding recommendations. DNR's preliminary responses indicate that it agrees with 7 recommendations and disagrees with 2 recommendations.

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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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