



RICK SNYDER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF NATURAL RESOURCES  
LANSING



KEITH CREAGH  
DIRECTOR

October 25, 2012

Mr. Doug Ringler, Director  
Office of Internal Audit Services  
George W. Romney Building  
111 South Capitol, 6th Floor  
Lansing, Michigan 48913

Dear Director Ringler:

In accordance with the State of Michigan, Financial Management Guide, Part VII, attached is a summary table identifying our responses and corrective action plans to address recommendations contained within the Office of the Auditor General's audit report of the Department of Natural Resources (DNR) Real Estate Section.

Questions regarding the summary table or corrective action plans should be directed to Ms. Sharon M. Schafer, Finance and Operations Chief, at 517-241-5482.

Sincerely,

Signature Redacted

Keith Creagh  
Director  
517-373-2329

cc: Executive Office  
Office of the Auditor General  
Senate Appropriations Subcommittee Members  
House Appropriations Subcommittee Members  
Mr. Josh Sefton, Senate Fiscal Agency  
Ms. Viola Wild, House Fiscal Agency  
Mr. John Nixon, State Budget Director, DTMB  
Mr. Jacques McNeely, DTMB  
Ms. Jennifer Harrison, DTMB  
Dr. William E. Moritz, Natural Resources Deputy, DNR  
Mr. Trevor VanDyke, Legislative Liaison and Policy Advisor, DNR  
Ms. Sharon M. Schafer, DNR  
Mr. Steve Sutton, DNR  
Mr. Erik Eklund, DNR

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

**Summary of Agency Responses Audit 751-0155-11  
Covered Period – October 2008 through August 2011**

Summary Table

	Audit Recommendations the Agency Complied With	Audit Recommendations the Agency Agrees with and Will Comply	Audit Recommendations the Agency Disagrees With
<b>Recommendation 1</b> – We recommend that the DNR strengthen its process to dispose of non-essential land holdings identified by its Land Ownership Strategy.		X	
<b>Recommendation 2</b> – We recommend that the 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 the DNR execute and maintain formal agreements with the DOC that specify DOC’s responsibilities for the maintenance, demolition and restoration of vacated correctional facilities located on State-owned land.		X	

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

Plan to address the recommendations for Audit 751-0155-11

**Recommendation 1: Disposal Process of Non-essential Lands**

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

**Response**

The DNR agrees with the finding and has developed plans and will take actions to improve its process for disposing of non-essential (surplus) land holdings identified in its Land Ownership Strategy.

As a result of a 2011 Lean Process Improvement effort, Real Estate Services has or will implement the following changes to strengthen its processes to more effectively dispose of surplus lands identified during the 2003-2008 Land Consolidation project which is a component of the DNR's overall Land Ownership Strategy.

1. Pursue a statutory amendment of Part 21, Subpart 10, Land Exchange Facilitation Fund to allow for greater flexibility in determining the value of surplus land. This change will allow Real Estate Services to be more efficient and cost effective in disposition of low value parcels of tax reverted land. This amendment was achieved with passage of PA 240 on July 2, 2012.
2. Use the Michigan Land Bank Fast Track Authority (MLBFTA) to dispose of surplus land holdings. The DNR has recently signed an MOU with the MLBFTA to partner in the disposal of surplus DNR lands and to assist in the marketing of certain MLBFTA lands through participation in DNR land auctions.

Currently, the DNR is offering roughly 200 surplus parcels (2,600 acres) for sale at auction, including several MLBFTA parcels. Upon completion of the auction in August, all parcels (sold and unsold) will be transferred to the MLBFTA in order to complete the transaction and/or remove the parcels from DNR ownership. The DNR will continue to use this process to offer at auction and then dispose through the MLBFTA for the remaining 14 counties.

3. Use the LOTS Phase III query and report to manage land disposal activity by initiating a land disposal action within each county. By initiating an action within each county, the Phase III query will provide an effective statewide status on disposal of surplus lands. Currently 69 of the 83 counties are reporting land disposal activity. The remaining 14 counties will be active within 12 months.

**Timeline for implementation of Corrective Actions** – Implementation of these actions are either complete (statutory amendment), or currently being implemented through a land disposal partnership with the MLBFTA.

**Recommendation 2: Propose Remedy for Vacated Correctional Facilities on State-owned Land.**

We recommend that the 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.

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.

**Response**

The DNR agrees with the finding and will take action to improve its communication and coordination with DOC for disposal of correctional facilities on State owned lands.

The existing structures located on DNR lands are under three (3) separate land administrative Divisions, and were established under a variety of circumstances. The intent is to move forward with developing a plan for removing DOC structures in accordance with the original intent of the MOU established between DOC and DNR for Camp Waterloo.

Parks and Recreation Division that administers land for four of the six facilities will coordinate with the other land administrative Divisions to develop the statewide plan to address all six facilities. The plan is to address:

- Review any deed or funding restrictions associated with the properties
- Develop and implement strategy for coordinating with DOC to define a timeline and process to complete removal of all infrastructure considered excess to the needs of the DNR
- Coordinate with DOC to submit budget requests to the State Budget Office for funding to restore the recreational value of the lands
- Identify alternatives to provide assistance to DOC for removing structures. This may involve utilizing DNR equipment and staff to assist with the process
- Generate formal agreements to solidify the process and expectations for both parties to adhere to until full remediation for all six facilities has occurred

For the two locations identified in the audit findings, action has already begun at these facilities:

1. Camp Waterloo: In 2011, an assessment was done by DOC on potential hazardous materials, for items such as underground storage tanks. In the spring of 2012, work crews out of the Special Alternative Incarceration Facility (DOC) at Cassidy Lake began removing above ground structures within the fenced area. Four of the six block structures have been razed. The MOU between DOC and DNR has not lapsed, but will be amended to address the overall strategy of the Department.
2. Camp Brighton: \$400,000 was appropriated to DOC for the demolition of the buildings although there has been no demolition efforts started to date. DOC has periodically replaced fence areas which have been vandalized. DOC removed the entry road to further discourage access to the facility.

**Timeline for implementation of Corrective Actions** – DNR Resource Deputy Director has contacted the DOC Deputy Director by letter outlining the audit findings and the DNR's action plan for addressing the audit findings. Implementation of these actions is to develop the plan and formal agreements with DOC through MOU's by April 1, 2013. The details of the plan would include a timeline for these facilities to be completed. All formal agreements between DOC and DNR will be defined to be in effect until the completion of the facility as described in the plan. All conditions would be held in perpetuity until the terms of the agreement signed by both parties have been resolved.