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Office of the Auditor General

Report Summary

Performance Audit

Commercial Forest (CF) Program and Forest Development Fund

Department of Natural Resources (DNR)

Report Number:
751-0152-15

Released:
August 2016

The CF program was enacted in 1925 to provide a property tax incentive for private landowners to retain and manage forestland for long-term timber production in support of Michigan's forest products industry. More than 2.2 million acres of private forestland are enrolled in the CF program.

The Forest Development Fund was established in 1993 and operates under Section 324.50507 of the *Michigan Compiled Laws*. The Fund's primary revenue source is timber sales from State forestlands. Money in the Fund shall be used to pay principal and interest on bonds issued for forest management operations; for reforestation, forest protection, and timber stand improvement; and to obtain and maintain certification of sustainable forestry standards in the State forests. DNR expends approximately \$35 million annually from the Fund. An audit of the Fund was required by Section 324.50507(5) of the *Michigan Compiled Laws*.

Audit Objective			Conclusion
Objective #1: To assess the effectiveness of the Forest Resources Division's (FRD's) monitoring of landowner compliance with State laws, rules, and regulations related to the CF program.			Effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
FRD did not obtain forest management plan (FMP) certifications for all properties enrolled in the CF program. FRD lacked assurance that landowners managed their forestlands in compliance with CF requirements (<u>Finding #1</u>).		X	Agrees
Observations Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
DNR is limited in its ability to collect CF information and to monitor landowner compliance with CF requirements and FMPs (<u>Observation #1</u>).	Not applicable	Not applicable	Not applicable

Audit Objective			Conclusion
Objective #2: To assess DNR's compliance with State laws, rules, and regulations for expenditures from the Forest Development Fund.			Complied
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
None reported.	Not applicable	Not applicable	Not applicable

A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: www.audgen.michigan.gov

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