



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF NATURAL RESOURCES
LANSING

COPY



KEITH CREAGH
DIRECTOR

November 17, 2016

Director Richard Lowe
Office of Internal Audit Services
Office of the State Budget
George W. Romney Building
111 South Capitol Street, 6th Floor
Lansing, Michigan 48913

Dear Director Lowe:

In accordance with the State of Michigan, Financial Management Guide, Part VII, attached is a summary table identifying our responses and a corrective action plan to address recommendations contained within the Office of the Auditor General's audit report of the Department of Natural Resources Commercial Forest Program and Forest Development Fund.

Questions regarding the summary table or corrective action plans should be directed to Ms. Sharon M. Schafer, Chief, Finance and Operations Division, at 517-284-5958, or you may contact me.

Sincerely,

Signature Redacted

Y
Keith Creagh
Director
517-284-6367

Attachments

cc: Mr. Doug A. Ringler, CPA, CIA, Office of Auditor General
Mr. Josh Sefton, Senate Fiscal Agency
Mr. Austin Scott, House Fiscal Agency
Senate Natural Resources Committee Members
House Natural Resources Committee Members
Senate Appropriations Subcommittee – Natural Resources
House Appropriations Subcommittee – Natural Resources
Mr. John Roberts, State Budget Director, Department of Technology,
Management and Budget (DTMB)
Mr. Jacques McNeely, DTMB
Ms. Jennifer Harrison, DTMB
Dr. William E. Moritz, Natural Resources Deputy, DNR
Mr. Mark Hoffman, Chief Administrative Officer, DNR
Mr. Trevor VanDyke, Legislative and Legal Affairs, DNR
Ms. Sharon M. Schafer, DNR
Mr. Erik Eklund, DNR

**Commercial Forest Program and Forest Development Fund
Department of Natural Resources**

**Summary of Agency Responses
Audit 751-0152-15
October 1, 2012 through June 30, 2015**

	Audit recommendations the agency complied with	Audit recommendations the agency agrees with and will	Audit recommendations the agency disagrees
Recommendation 1 – We recommend that DNR obtain FMP certifications for all properties enrolled in the CF program.		x	

**Commercial Forest Program and Forest Development Fund
Department of Natural Resources**

**Summary of Agency Responses
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Recommendation

We recommend that DNR obtain FMP certifications for all properties enrolled in the CF program.

Response

Since the release of the audit report, the DNR's Forest Resources Division and Legislative and Legal Affairs Office have discussed possible statutory changes that would increase the DNR's ability to administer the CF program and monitor for compliance. DNR has also committed to a full upgrade of the current CF database during FY 2017. The current database is a legacy system from 1994 that does not provide the ability to track landowner compliance. The upgraded system will provide the DNR with increased efficiencies to monitor CF compliance.

The DNR will contact the CF landowners who have not submitted an FMP Certification. This task will be difficult because the DNR maintains a paper file for 1,800 landowners for 17,218 parcels with copies of all correspondence and other documents, including the required FMP Certification. Further complicating this task is the high number of land ownership changes and the lack of legal authority for notice of the changes to be sent to the DNR. The DNR will review each landowner's file for compliance and enter those findings in the upgraded CF database system. The DNR will also compare the paper files with the legacy system database to identify any changes in ownership and enter those in the upgraded CF database system. The DNR will then send a compliance letter to each known landowner who does not have a FMP Certification that covers all parcels in their ownership.

Timeline for Implementation of Corrective Actions – The DNR will contact all CF landowners identified in the above process by September 30, 2018.