

PERFORMANCE AUDIT
OF THE
PARKS AND RECREATION BUREAU
DEPARTMENT OF NATURAL RESOURCES

September 2004

“...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

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Michigan
Office of the Auditor General
REPORT SUMMARY

Performance Audit

Report Number:
 75-115-03

Parks and Recreation Bureau

Released:
 September 2004

Department of Natural Resources

The mission of the Parks and Recreation Bureau is to acquire, protect, and preserve the natural, historic, and cultural features of Michigan's unique resources and to provide public recreation and education opportunities. The Bureau is responsible for planning, developing, and managing State parks and operating public access sites and State harbors.

Audit Objective:

To assess the effectiveness and efficiency of the Bureau's State Park, Boating Access, and Dock and Harbor Development Programs.

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Audit Conclusion:

We concluded that the Bureau's State Park, Boating Access, and Dock and Harbor Development Programs were generally effective and efficient. However, our assessment disclosed a reportable condition related to contract monitoring.

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Reportable Condition:

The Bureau did not conduct on-site inspections of harbors and boating access sites to ensure that site operators were in compliance with contract requirements (Finding 1).

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Agency Response:

The Department of Natural Resources agreed with the recommendation and informed us that it has revised Parks and Recreation Policy 3.1 to include reporting language to ensure that inspections are conducted and reported to the Bureau chief for appropriate action as needed.

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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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September 24, 2004

Mr. Keith J. Charters, Chairperson
Natural Resources Commission
and
Ms. Rebecca A. Humphries, Director
Department of Natural Resources
Stevens T. Mason Building
Lansing, Michigan

Dear Mr. Charters and Ms. Humphries:

This is our report on the performance audit of the Parks and Recreation Bureau, Department of Natural Resources.

This report contains our report summary; description of agency; audit objective, scope, and methodology and agency responses and prior audit follow-up; comment, finding, recommendation, and agency preliminary response; and a glossary of acronyms and terms.

The agency preliminary response was taken from the agency's response subsequent to our audit fieldwork. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a formal response within 60 days after release of the audit report.

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

AUDITOR GENERAL

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TABLE OF CONTENTS

PARKS AND RECREATION BUREAU DEPARTMENT OF NATURAL RESOURCES

	<u>Page</u>
INTRODUCTION	
Report Summary	1
Report Letter	3
Description of Agency	6
Audit Objective, Scope, and Methodology and Agency Responses and Prior Audit Follow-Up	8
COMMENT, FINDING, RECOMMENDATION, AND AGENCY PRELIMINARY RESPONSE	
State Park, Boating Access, and Dock and Harbor Development Programs	11
1. Contract Monitoring	11
GLOSSARY	
Glossary of Acronyms and Terms	14

Description of Agency

The Parks and Recreation Bureau, Department of Natural Resources (DNR), formerly the Parks and Recreation Division, was established in 1993. The Bureau is responsible for planning, developing, and managing State parks and operating public access sites and State harbors.

The Bureau's mission* is to acquire, protect, and preserve the natural, historic, and cultural features of Michigan's unique resources and to provide public recreation and education opportunities.

Michigan's State Park Program was started in 1919. At the time of our audit, the Program consisted of 97 State parks. State Park Program expenditures for fiscal year 2001-02 were approximately \$38.5 million.

In 1939, the State Legislature earmarked funds from increased fishing license fees to purchase water frontage to be administered by DNR. DNR assumed responsibility for the Boating Access Program in 1968. The Program provided for the development and maintenance of these acquired water frontage properties to meet public use needs. DNR developed 1,183 boating access sites for boaters on these properties. The Bureau maintains 738 of these sites Statewide and local units of government and other DNR divisions maintain 445 of these sites. Boating Access Program expenditures for fiscal year 2001-02 were approximately \$12.0 million.

The Bureau also administers the Dock and Harbor Development Program, which has assisted in the development of 78 protected public mooring facilities to serve Great Lakes boaters. The Bureau owns and operates 15 public mooring facilities. Sixty-one of these facilities were built in cooperation with local communities and are owned and operated by local communities, subject to the terms and conditions of the original grant-in-aid agreement providing State assistance in the facilities' development. Two facilities are harbor developments where a private investor has contracted with the State and local community to develop and operate the harbor. Dock and Harbor Development Program expenditures for fiscal year 2001-02 were approximately \$0.2 million.

* See glossary at end of report for definition.

The Parks and Recreation Bureau had appropriations of approximately \$58.1 million for fiscal year 2002-03 and had 238 full-time and 300 seasonal employees as of June 30, 2003.

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

Audit Objective

The objective of our performance audit* of the Parks and Recreation Bureau, Department of Natural Resources (DNR), was to assess the effectiveness* and efficiency* of the Bureau's State Park, Boating Access, and Dock and Harbor Development Programs.

Audit Scope

Our audit scope was to examine the program and other records of the Parks and Recreation Bureau. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Audit Methodology

Our audit procedures, conducted from March through July 2003, included examination of DNR's records and activities primarily for the period October 1, 2000 through June 30, 2003.

We conducted a preliminary review of the Bureau's operations to gain an understanding of its activities and to form a basis for selecting certain operations for audit. This included interviewing Bureau personnel and reviewing applicable laws, management plans, activity reports, and policies and procedures to gain an understanding of management control* related to pertinent Bureau functions.

We also made field visits to State parks and boating access sites.

Agency Responses and Prior Audit Follow-Up

Our audit report contains one finding and corresponding recommendation. DNR's preliminary response indicated that it agrees with the recommendation.

* See glossary at end of report for definition.

The agency preliminary response that follows the recommendation in our report was taken from the agency's written comments subsequent to our audit fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and Department of Management and Budget Administrative Guide procedure 1280.02 require DNR to develop a formal response to our audit finding and recommendation within 60 days after release of the audit report.

We released our prior performance audit of the Parks and Recreation Division, Department of Natural Resources (#7511595), in July 1996. Within the scope of this audit, we followed up all 4 of the prior audit recommendations. The Bureau complied with 1 prior audit recommendation, 1 recommendation was rewritten for inclusion in this audit report, and 2 recommendations were not rewritten.

COMMENT, FINDING, RECOMMENDATION,
AND AGENCY PRELIMINARY RESPONSE

STATE PARK, BOATING ACCESS, AND DOCK AND HARBOR DEVELOPMENT PROGRAMS

COMMENT

Audit Objective: To assess the effectiveness and efficiency of the Parks and Recreation Bureau's State Park, Boating Access, and Dock and Harbor Development Programs.

Conclusion: We concluded that the Bureau's State Park, Boating Access, and Dock and Harbor Development Programs were generally effective and efficient. However, our assessment disclosed a reportable condition* related to contract monitoring (Finding 1).

FINDING

1. Contract Monitoring

The Bureau did not conduct on-site inspections of harbors and boating access sites to ensure that site operators were in compliance with contract requirements. Without regular inspections, the State lacks assurance that local units of government are properly maintaining harbors and boating access sites.

Parks and Recreation Policy 3.1 requires that DNR inspect harbors annually and boating access sites that are not affiliated with harbors either annually or every 3 years depending on the sites' history.

Over a period of several years, DNR constructed 60 harbors and 193 boating access sites that it contracts with local units of government to operate. These contracts require each harbor and boating access site operator to conduct necessary maintenance to maintain the facility in the condition that it was in at the time the contract was executed.

Our review of the Bureau's harbor and boating access site inspections disclosed:

- a. The Bureau had not inspected 40 (67%) of the 60 harbors in the past three years. We determined that the average number of years since the last

* See glossary at end of report for definition.

inspection was 5.7 years. In addition, the Bureau had never inspected 13 (22%) of the 60 harbors.

- b. The Bureau had not inspected 139 (72%) of the 193 boating access sites in the past three years. We determined that the average number of years since the last inspection was 5.6 years. In addition, the Bureau had never inspected 3 (2%) of the 193 boating access sites.

RECOMMENDATION

We recommend that the Bureau conduct on-site inspections of harbors and boating access sites to ensure that site operators are in compliance with contract requirements.

AGENCY PRELIMINARY RESPONSE

DNR agreed with the recommendation and informed us that it has revised Parks and Recreation Policy 3.1 to include reporting language to ensure that inspections are conducted and reported to the Bureau chief for appropriate action as needed.

GLOSSARY

Glossary of Acronyms and Terms

DNR	Department of Natural Resources.
effectiveness	Program success in achieving mission and goals.
efficiency	Achieving the most outputs and outcomes practical with the minimum amount of resources.
management control	The plan of organization, methods, and procedures adopted by management to provide reasonable assurance that goals are met; resources are used in compliance with laws and regulations; valid and reliable data is obtained and reported; and resources are safeguarded against waste, loss, and misuse.
mission	The agency's main purpose or the reason that the agency was established.
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 public accountability and to facilitate decision making by parties responsible for overseeing or initiating corrective action.
reportable condition	A matter that, in the auditor's judgment, represents either an opportunity for improvement or a significant deficiency in management's ability to operate a program in an effective and efficient manner.