



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF NATURAL RESOURCES
LANSING



RODNEY A. STOKES
DIRECTOR

February 9, 2012

Mr. Doug Ringler, Director
Office of Internal Audit Services
Office of the State Budget
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) Retail Sales System.

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

Sincerely,

Signature Redacted


Rodney A. Stokes
Director
517-373-2329

Attachment

cc: Senate Appropriations Subcommittee Members
House Appropriations Subcommittee Members
Senate Committee on Natural Resources, Environment and Great Lakes Members
House Committee on Natural Resources, Tourism, and Outdoor Recreation Members
Mr. Josh Sefton, Senate Fiscal Agency
Ms. Viola Wild, House Fiscal Agency
Mr. John Nixon, State Budget Director, Department of Technology,
Management and Budget
Mr. Bryan Weiler, Office of Internal Audit Services
Dr. Kelley Smith, Acting Natural Resources Deputy, DNR
Mr. Mark Hoffman, Chief Administrative Officer, DNR
Ms. Sharon M. Schafer, DNR
Ms. Kathleen Eriksen, DNR

**Retail Sales System
 Department of Natural Resources
 And Department of Technology, Management, and Budget**

**Summary of Agency Responses Audit 751-0590-11
 Covered Period – March 2008 through May 2011**

Summary Table

	Audit Recommendations the Agency Complied With	Audit Recommendations the Agency Agrees and Will Comply	Audit Recommendations the Agency Disagrees
Recommendation 1 – We recommend that DNR, in conjunction with DTMB, implement controls within RSS that allow verification that customers who purchased hunting and fishing licenses met the age eligibility requirements.			x
Recommendation 2 – We recommend that DNR, in conjunction with DTMB, implement controls within RSS to prevent customers from purchasing more than one hunting license per season.		x (partially)	
Recommendation 3 – We recommend that DNR, in conjunction with DTMB, establish controls to prevent the sale of hunting and fishing licenses to customers who had a hunting or fishing license revocation or a Friend of the Court violation.		x (partially)	

**Retail Sales System
Department of Natural Resources
And Department of Technology, Management, and Budget
Plan to address the recommendations for Audit 751-0590-11**

Recommendation 1: Issuance of Licenses With Age Eligibility Requirements

We recommend that DNR, in conjunction with DTMB, implement controls within RSS that allow verification that customers who purchased hunting and fishing licenses met the age eligibility requirements.

Response

While DNR and DTMB agree with the finding in part, DNR and DTMB do not agree that it is economically feasible or cost effective to implement additional controls within RSS to insure age and disability requirements are entered appropriately by customers and agents. In addition, a customer's disability declaration could be tracked separately from senior eligibility as part of the customer service enhancements contemplated under Finding 2.

Age is not securely and conclusively verifiable, even if the system stores all prior customer/agent entered information on date of birth (as the auditor suggests). DTMB security standards based on Personally Identifiable Information statutes require that we do not collect or retain documentation that would validate dates of birth. As such, the DNR and DTMB cannot verify a person's age with certainty. When considering the extremely low error rate (2.2% or less) for licenses issued with age requirements and the inability to conclusively verify age, the DNR and DTMB conclude that it is not possible or cost effective to implement corrective measures for this finding.

Although age is not conclusively verifiable, risk is mitigated by conservation officer field checks of customer credentials, the Report-All-Poaching hotline for anonymous reporting of violations, and hard-coded sales process steps that ask the agent and customer to verify and attest to the accuracy of the information provided. Since the audit was released, statutory changes were put in place eliminating the minimum hunting age in Michigan.

Although DNR and DTMB do not agree with the recommendation to implement additional controls within RSS, DNR and DTMB have established a compensating control to sample 1 percent of online customers on an annual basis, who do not meet the senior age requirement, to see if they correctly received that discount because they were legally blind or disabled. DNR and DTMB intend to sample these online customers for 2 years to determine whether customers provide their 100 percent disability papers that match their attestation. In addition, other responses will be tabulated and these may include: statements of miskeyed birthdate by customer, miskeyed by agent, or admission of lack of credentialing.

Timeline for Implementation of Corrective Actions – DNR will send letters in the later part of license years 2012 and 2013, with comprehensive results reporting in April of 2014.

Recommendation 2: Issuance of Multiple Licenses

We recommend that DNR, in conjunction with DTMB, implement controls within RSS to prevent customers from purchasing more than one hunting license per season.

Response

DNR and DTMB agree with this recommendation and will partially comply as funding allows and to the extent that it is economically feasible and cost effective to implement. While DNR and DTMB agree that improved controls will help to prevent duplicate sales, it is important to note that duplicate sales can never be entirely prevented due to the use of Sportcard identifiers for customers not possessing a driver's license. Sportcards are an important customer service feature in a system which is intentionally permissive in its buying rules, while making it the customer's responsibility to comply with statute, orders and guidelines.

It is also important to highlight the fact that the OAG found that 99.8% of those sales transacted correctly. Even with improved controls in RSS, this extremely low error rate is difficult to improve upon.

DNR and DTMB are currently in the process of upgrading RSS to a real time system (RSS II). As part of this, DNR and DTMB currently anticipate that Release 4 of the upgrade will address customer-facing improvements, building off of the real-time functionality. DNR and DTMB consider prevention of duplicate sales as part of a suite of desirable customer service enhancements. All are based on the RSS II recognizing a customer for return buying experiences based on matching credentialing as provided by the customer, and the items allowed for that purchase based on the credentials.

Pricing for these enhancements are scheduled in the 5-year RSS II project's contract, but implementation is always subject to the DNR's overall budgetary health and legislative approval. DNR and DTMB will need to continue to consider the cost to implement Release 4 with the expected benefit as the upgrade to RSS II evolves.

Timeline for Implementation of Corrective Actions – Implementation of upgrades to address this recommendation could be put in place by December 2013.

Recommendation 3: License Revocations

We recommend that DNR, in conjunction with DTMB, establish controls to prevent the sale of hunting and fishing licenses to customers who have a hunting or fishing license revocation or an FOC violation.

Response

DNR and DTMB agree with this recommendation and will partially comply, to the extent it is economically feasible and cost effective to implement. Similar to duplicate sales, it is again important to note that sales to customers who have a hunting or fishing license revocation or an FOC violation can never be entirely prevented due to the availability of Sportcard identifiers for customers not

possessing a driver's license. Sportcards are an important customer service feature in a system which is intentionally permissive in its buying rules, while making it the customer's responsibility to comply with statute, orders and guidelines.

It is also important to highlight the fact that the OAG review found only a .0006% error rate concerning revoked and FOC violation customers. Even with improved controls in RSS, this extremely low error rate is difficult to improve upon.

As described for Recommendation 2, DNR and DTMB are currently in the process of upgrading RSS to a real time system (RSS II). The planned upgrades will help prevent the sale of licenses to customers who have a hunting or fishing license revocation or an FOC violation.

Pricing for these enhancements are scheduled in the 5-year RSS II project's contract, but implementation is always subject to DNR's overall budgetary health and legislative approval. DNR and DTMB will need to continue to consider the cost to implement all of the upgrades with the expected benefit as the upgrade to RSS II evolves.

Timeline for Implementation of Corrective Actions – Implementation of upgrades to address this recommendation could be put in place by December 2013.