



RICK SNYDER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF NATURAL RESOURCES  
LANSING



KEITH CREAGH  
DIRECTOR

October 19, 2015

Mr. Jeffrey S. Bankowski, Director  
Office of Internal Audit Services  
Office of the State Budget  
George W. Romney Building  
111 S. Capitol Avenue, 6th Floor  
Lansing, Michigan 48933

Dear Director Bankowski:

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) Office of Minerals Management.

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

Sincerely,

Signature Redacted

Keith Creagh  
Director  
517-284-6367

**Attachments**

cc: Senate Committee on Natural Resources  
House Committee on Natural Resources  
Senate Subcommittee on Appropriations: Natural Resources Members  
House Subcommittee on Appropriations: Natural Resources Members  
Mr. Josh Sefton, Senate Fiscal Agency  
Mr. Austin Scott, House Fiscal Agency  
Mr. John S. Roberts, State Budget Director, Department of Technology,  
Management and Budget (DTMB)  
Mr. Doug Ringler, Director, Office of the Auditor General  
Mr. Bryan Weiler, Office of Internal Audit Services  
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. Mark Sweatman, DNR  
Mr. Erik Eklund, DNR

**Audit Response**  
**Performance Audit of Oil and Gas Management 751-0700-14**  
**Department of Natural Resources (DNR)**  
**Summary of Agency Responses to Recommendations**

1. Audit recommendations the agency complied with:  
None

2. Audit recommendations the agency agrees with and will comply:

We recommend that DNR strengthen its revenue verification process to increase assurance that the State consistently receives proper rent and royalties from leasing oil and gas mineral rights

3. Audit recommendations the agency disagrees with:  
None

Audit Response  
Performance Audit of Oil and Gas Management 751-0700-14  
Department of Natural Resources (DNR)  
Summary of Agency Responses to Recommendations

Recommendation:

*We recommend that DNR strengthen its revenue verification process to increase assurance that the State consistently receives proper rent and royalties from leasing oil and gas mineral rights.*

Response:

The Office of Minerals Management (OMM) is reviewing and updating all current procedures and desk processes related to its revenue verification process. The revised procedures and desk processes are being implemented as they are completed. New procedures and desk processes are being created to further enhance the revenue verification process. In addition, development of an in-house review process for smaller producers has been initiated. The revisions and new procedures and desk processes will be completed by July 31, 2016.

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