

**Office of the Auditor General**  
Performance Audit Report

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**Office of Land Survey and Remonumentation**  
Department of Licensing and Regulatory Affairs

March 2020

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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.

The auditor general may make investigations pertinent to the conduct of audits.

*Article IV, Section 53 of the Michigan Constitution*

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Office of the Auditor General

## Report Summary

### *Performance Audit*

### *Office of Land Survey and Remonumentation (OLSR)*

### *Department of Licensing and Regulatory Affairs*

**Report Number:**  
**641-0991-19**

**Released:**  
**March 2020**

OLSR administers the State Survey and Remonumentation Grant Program (SSRGP) by coordinating and monitoring the distribution of grants for the restoration, maintenance, and preservation of public land survey corners and by reporting SSRGP results. For fiscal year 2018, OLSR distributed \$5.9 million in county remonumentation grants.

Audit Objective			Conclusion
Objective: To assess the effectiveness of OLSR's efforts to administer SSRGP.			Moderately effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
OLSR should better monitor its grantees. One county overpaid recordation fee remittances by \$1.1 million; as many as 17 counties provided insufficient documentation to support their grant expenditures or enable OLSR to establish performance metrics; 15 counties completed up to 47.1% fewer corners than agreed upon; and 2 counties had not properly bid their surveyor contracts ( <u>Finding #1</u> ).		X	Agrees
Observations Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
Through May 31, 2019, OLSR had expended \$168.4 million for SSRGP, 203.9% of the original estimated cost. Also, we projected that OLSR will expend an additional \$104.0 million to \$149.5 million to complete the SSRGP remonumentation phase, which may not be completed until 2042, approximately 30 years later than originally expected ( <u>Observation #1</u> ).	Not applicable for observations.		

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# OAG

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**Doug A. Ringler, CPA, CIA**  
Auditor General

March 18, 2020

Ms. Orlene Hawks, Director  
Department of Licensing and Regulatory Affairs  
Ottawa Building  
Lansing, Michigan

Dear Ms. Hawks:

This is our performance audit report on the Office of Land Survey and Remonumentation, Department of Licensing and Regulatory Affairs.

Your agency provided the preliminary response to the recommendation at the end of our fieldwork. The *Michigan Compiled Laws* and administrative procedures require an audited agency to develop a plan to comply with the recommendations and to submit it to the State Budget Office upon completion of an audit. Within 30 days of receipt, the Office of Internal Audit Services, State Budget Office, is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

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

Sincerely,

A handwritten signature in black ink that reads "Doug Ringler". The signature is written in a cursive style.

Doug Ringler  
Auditor General



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# AUDIT OBJECTIVES, CONCLUSIONS, FINDINGS, AND OBSERVATIONS

# ADMINISTRATION OF SSRGP

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## BACKGROUND

The Office of Land Survey and Remonumentation (OLSR) administers the State Survey and Remonumentation Grant Program (SSRGP) by coordinating and monitoring the distribution of grants for the restoration, maintenance, and preservation of public land survey corners\* and by reporting SSRGP results.

Each county's register of deeds office is required to collect a \$4 per document recordation fee and remit 98.5% of the accumulated revenue to the State to be deposited into the State Survey and Remonumentation Fund (SSRF).

OLSR distributes annual county grants to implement the counties' remonumentation\* plans. County grant amounts for remonumentation plans are determined based on 40% of the recordation fee revenue remitted to the State two fiscal years prior to the fiscal year in which the grant is made, plus a share of the remaining funds prorated based on each county's square land miles. Counties that have completed their remonumentation plans and are in the maintenance phase receive a grant amount based on 20% of their remitted recordation fee revenue plus their prorated share based on each county's square land miles.

OLSR reviews county grant applications and approves grant agreements between the Department of Licensing and Regulatory Affairs (LARA) and each county, pursuant to the State Survey and Remonumentation Act. Grant agreement budgets identify expenditures by category and the proposed number of corners to be completed. At the end of the grant year\*, each county submits a completion report\* to OLSR identifying actual expenditures and a listing of the corners completed. OLSR reviews each completion report, tracks the total grant expenditures and the number of corners completed, and calculates the average cost per corner by county for the biennial legislative report (see Exhibits #1 and #2).

## AUDIT OBJECTIVE

To assess the effectiveness\* of OLSR's efforts to administer SSRGP.

## CONCLUSION

Moderately effective.

## FACTORS IMPACTING CONCLUSION

- OLSR properly calculated county grant award amounts for grant years 2017, 2018, and 2019.

\* See glossary at end of report for definition.

- OLSR ensured that all 83 counties remitted recordation fee revenue each quarter during State fiscal years 2017 and 2018.
- OLSR monitored county grant expenditures to ensure that grant payments did not exceed the approved grant award amount and that expenditures were appropriate.
- OLSR accurately reported the total number of corners completed based on remonumentation certificates maintained within its database, the total grant amounts expended, and the average cost per corner in its 2019 biennial legislative report.
- Reportable condition\* related to enhancing OLSR's monitoring processes (Finding #1).

\* See glossary at end of report for definition.

## FINDING #1

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### Enhanced oversight processes needed.

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OLSR should enhance its monitoring processes to help ensure complete and accurate revenue, appropriate expenditures, and program effectiveness; improve program efficiencies; promote competitive bidding; and eliminate potential conflicts of interest and any appearance of impropriety.

Section 18.1485 of the *Michigan Compiled Laws* requires that OLSR establish and maintain an internal control system that includes a system of authorization and recordkeeping procedures to control assets, liabilities, revenues, and expenditures. Also, Section 2.9 of the counties' grant agreements requires that counties conduct all procurement transactions involving State funds in a manner that provides maximum open and free competition, and when competitive selection is not feasible or practical, the county must obtain written approval from OLSR before making a sole source selection. In addition, Section 3.5(b) of the grant agreements prohibits counties from doing anything that creates an appearance of impropriety with respect to the award or performance of the grant.

For fiscal years 2017 and 2018, counties remitted \$7.0 million and \$6.8 million of recordation fees and OLSR distributed \$5.5 million and \$5.9 million in county remonumentation grant funds, respectively. Also, for the 2017 and 2018 grants, counties agreed to remonument 3,970 and 4,823 corners, respectively. However, our review disclosed that OLSR:

- a. Did not have a process to verify the accuracy and completeness of the county recordation fee revenue remitted.

In July 2019, one county notified OLSR that it overpaid its document recordation fee remittances by \$1.1 million in fiscal year 2018. Our site visits to that county and 2 other counties did not identify additional remittance discrepancies.

- b. Did not obtain sufficient detail to support the appropriateness of county grant expenditures or to enable OLSR to establish performance metrics for use in evaluating SSRGP. Specifically:

- (1) Our review of the 83 counties' completion reports for grant years 2017 and 2018 noted that 7 (8.4%) and 17 (20.5%) counties, respectively, did not provide one or more of the following:

- Supporting documentation for the grant funds expended.
- Identification of the specific corners remonumented for OLSR's tracking purposes.

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One county overpaid \$1.1 million in recordation fee revenue for fiscal year 2018.

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- Breakdown or other explanation of surveyor charges.
- (2) Our analysis of county budget and actual expenditures identified significant disparities between counties' average cost per corner, ranging from \$776 to \$3,497 for grant year 2018 and including administrative expenditures ranging from 0.0% to 18.5% of total expenditures. Exhibit #3 provides a breakdown of the expenditures for the 5 counties with the highest average cost per corner and the 5 counties with the lowest average cost per corner.
- c. Did not document its identification and follow-up of differences between the agreed-upon and actual number of corners completed.

Our comparison of grant agreements with the respective completion reports for all 83 counties noted:

- For grant year 2017, 15 (18.1%) counties completed 1.6% to 25.3% fewer corners than identified in their grant agreements, including 9 counties that received 100% of their total grant awards. Also, 5 of the 15 counties did not provide explanations for their variances.
  - For grant year 2018, 15 (18.1%) counties completed 1.1% to 47.1% fewer corners than identified in their grant agreements, including 9 counties that received 100% of their total grant awards. Also, 9 of the 15 counties did not provide explanations for their variances.
- d. Did not obtain documentation or perform site visits to monitor the counties' procurement processes.

Our review of the procurement processes at the 3 counties that we visited noted that 2 counties had not conducted a bid process to procure their surveyors: 1 county had contracted with multiple surveyors and 1 county had contracted with a sole source surveyor without obtaining OLSR's written approval.

OLSR indicated that it lacked the resources to perform county audits and impose procurement requirements on the counties.

## **RECOMMENDATION**

We recommend that OLSR enhance its monitoring processes.

**AGENCY  
PRELIMINARY  
RESPONSE**

LARA provided us with the following response:

*We agree with this recommendation. OLSR will verify the accuracy of county revenue remitted and verify that the county complied with the procurement process outlined in the grant at the time expenditures are submitted. OLSR will revise current procedures to obtain sufficient documentation to support county expenditures along with seeking appropriate explanations from counties for corner discrepancies.*

## **OBSERVATION #1**

### **Economic impact and timeliness of SSRGP.**

Through May 31, 2019, OLSR had expended \$168.4 million for SSRGP, 203.9% of the original estimated cost of \$82.6 million. Also, we projected that OLSR will expend an additional \$104.0 million to \$149.5 million to complete the SSRGP remonumentation phase, which may not be completed until 2042. This would result in the project taking approximately 30 years longer than expected and at nearly 3 ½ times the anticipated costs.

Michigan and 29 other states follow the Public Land Survey System, a method of subdividing and describing land in the United States by utilizing a system regulated by the Bureau of Land Management, U.S. Department of the Interior. The original public land survey of Michigan was conducted between 1815 and 1857 and established 1,231 townships, each subdivided into 36 one-mile square sections. These sections were defined by "corners" that were marked, or "monumented," by four-foot pine or cedar posts that, over the years, have deteriorated or been removed or destroyed.

Public Act 345 of 1990 established SSRF and required each county to establish a remonumentation plan for completing the preservation of the original public land survey corners within 20 years. The Senate Fiscal Agency's (SFA's) analysis of the legislation estimated that a total of 165,200 corners would be replaced for \$500 each, or a total cost of \$82.6 million (in 1990 dollars). Our analysis of SSRGP noted:

- a. The counties' original remonumentation plans estimated a total of 225,218 corners, 60,018 (36.3%) more corners than the SFA estimate.
- b. Public Act 700 of 2002 increased the \$2 per document recordation fee, established by Public Act 346 of 1990, to \$4 per document. Public Act 662 of 2006 indicated that the recordation fee would revert back to \$2 in 2023.
- c. Public Act 166 of 2014 expanded SSRGP by allowing counties to add the center position of each section and other corners that serve to control meandering property lines to their remonumentation plans. Also, Public Act 166 of 2014 and subsequently issued administrative rules required counties to submit new county plans, identifying their new estimated number of corners, by March 1, 2020. Based on the number of corners identified in the counties' original remonumentation plans and these legislative changes, we determined that the total number of corners yet to be completed could increase significantly.
- d. OLSR had expended \$168.4 million for SSRGP grants and State administration in the 28 years since its inception through May 31, 2019, \$85.8 million more than and 203.9% of the SFA estimate.

- e. Through grant year 2018, counties have remonumented 173,592 (77.1%) corners, averaging 2.9% of the Statewide number of corners per year.

Based on the completion rate of 77.1% through December 31, 2018, annual expenditures of \$6.5 million, cumulative expenditures of \$168.4 million through May 31, 2019, and a potential increase in the total number of survey corners to be identified in the counties' March 2020 plans of 25% and 50%, we estimated the SSRGP remonumentation phase completion as follows:

	Grant Year 2019	Projected Increase	
		25%	50%
Number of corners	225,218	281,523	337,827
Projected year of completion	2028	2035	2042
Additional number of years to complete	9	16	23
Costs incurred through May 31, 2019 (in millions)	\$ 168.4	\$ 168.4	\$ 168.4
Additional cost to complete (in millions)	58.5	104.0	149.5
Projected total cost to complete (in millions)*	<u>\$ 226.9</u>	<u>\$ 272.4</u>	<u>\$ 317.9</u>

\*Does not include OLSR's estimated perpetual annual maintenance costs of \$10 million after the remonumentation phase is complete.

SSRGP was established to reduce property disputes and make property surveys less difficult and expensive. No data has been compiled or research performed over the past 28 years to validate whether SSRGP has had a meaningful impact for the citizens of Michigan, such as a decrease in litigated property disputes.

Given the potential for the project to cost \$318 million when completed, the absence of measurable results may cause those charged with governance to reconsider the project or certainly to require OLSR to establish, design, and implement performance metrics or other program changes to help ensure value from the resources expended.

# SUPPLEMENTAL INFORMATION

UNAUDITED  
Exhibit #1

OFFICE OF LAND SURVEY AND REMONUMENTATION  
Department of Licensing and Regulatory Affairs

Remonumentation Completion Status and Costs

County	Total Number of Corners <sup>1</sup>	Grant Year 2018			Cumulative Through December 31, 2018		
		Number of Corners Completed <sup>2</sup>	Total State Grant Amounts Expended	Average Cost per Corner Completed	Number of Corners Completed <sup>3</sup>	Percent of Corners Completed <sup>3</sup>	Total State Grant Amounts Expended
Alcona	2,411	36	\$ 53,364	\$ 1,482	1,493	61.9%	\$ 1,059,491
Alger	3,802	43	68,776	\$ 1,599	1,599	42.1%	1,368,626
Allegan <sup>4</sup>	3,131	56	92,782	\$ 1,657	3,055	97.6%	2,054,938
Alpena	1,973	32	47,975	\$ 1,499	1,295	65.6%	989,002
Antrim	2,148	32	44,996	\$ 1,406	929	43.2%	976,297
Arenac	1,398	26	31,953	\$ 1,229	741	53.0%	655,126
Baraga	3,643	58	67,036	\$ 1,156	1,269	34.8%	1,291,184
Barry <sup>4</sup>	2,070	50	54,340	\$ 1,087	2,232	107.8%	1,326,248
Bay <sup>4</sup>	1,925	75	54,554	\$ 727	2,687	139.6%	1,921,683
Benzie	1,249	18	29,472	\$ 1,637	1,035	82.9%	630,161
Berrien	2,279	52	77,740	\$ 1,495	1,646	72.2%	1,843,537
Branch	1,872	38	46,678	\$ 1,228	1,252	66.9%	977,141
Calhoun <sup>4</sup>	2,604	59	80,059	\$ 1,357	3,076	118.1%	2,226,806
Cass	2,236	40	61,407	\$ 1,535	1,017	45.5%	1,011,192
Charlevoix	1,621	22	42,157	\$ 1,916	812	50.1%	1,070,335
Cheboygan <sup>4</sup>	2,604	44	59,877	\$ 1,361	1,742	66.9%	1,226,806
Chippewa	6,480	60	120,771	\$ 2,013	3,660	56.5%	2,571,939
Clare <sup>4</sup>	2,223	36	52,200	\$ 1,450	1,871	84.2%	1,132,822
Clinton	2,071	48	59,558	\$ 1,241	1,487	71.8%	1,336,840
Crawford	1,970	30	45,236	\$ 1,508	1,219	61.9%	944,981
Delta <sup>4</sup>	4,791	122	94,690	\$ 776	4,279	89.3%	2,103,371
Dickinson <sup>4</sup>	3,098	57	61,135	\$ 1,073	2,521	81.4%	1,226,902
Eaton	2,050	66	64,996	\$ 985	2,360	115.1%	1,795,533
Emmet	1,955	24	45,478	\$ 1,895	912	46.6%	983,118
Genesee	2,203	56	105,758	\$ 1,889	2,257	102.5%	3,266,890
Gladwin <sup>4</sup>	1,741	28	47,256	\$ 1,688	1,514	87.0%	969,985
Gogebic	4,097	93	80,633	\$ 867	3,946	96.3%	1,639,446
Grand Traverse	1,967	39	62,228	\$ 1,596	1,777	90.3%	1,388,451
Graziot	1,940	30	50,000	\$ 1,667	1,437	74.1%	1,125,715
Hillsdale	2,059	41	54,376	\$ 1,326	1,418	68.9%	1,146,108
Houghton	3,920	43	80,515	\$ 1,872	1,522	38.8%	1,589,139
Huron	3,017	54	71,813	\$ 1,330	1,824	60.5%	1,406,820
Ingham	2,038	75	94,163	\$ 1,256	2,472	121.3%	2,414,374
Ionia	2,598	51	55,144	\$ 1,081	1,534	59.0%	1,167,983
Iosco	1,868	22	47,875	\$ 2,176	1,147	61.4%	981,200
Iron	4,275	106	85,497	\$ 807	3,851	90.1%	1,696,432
Isabella <sup>4</sup>	2,192	58	53,619	\$ 924	2,037	92.9%	1,274,423
Jackson	2,476	68	86,471	\$ 1,272	2,402	97.0%	2,041,419
Kalamazoo <sup>4</sup>	2,137	28	97,914	\$ 3,497	2,226	104.2%	2,215,125
Kalkaska <sup>4</sup>	2,135	53	44,378	\$ 837	1,821	85.3%	930,556
Kent <sup>5</sup>	3,371	176	126,532	\$ 719	8,268	245.3%	4,305,711
Keweenaw	2,670	20	39,756	\$ 1,988	745	27.9%	759,301
Lake	2,097	41	46,932	\$ 1,145	1,774	84.6%	926,954
Lapeer	2,240	47	67,565	\$ 1,438	1,640	73.2%	1,495,243
Leelanau	1,573	20	35,443	\$ 1,772	1,016	64.6%	733,412
Lenawee	2,541	80	76,320	\$ 954	1,869	73.6%	1,617,117
Livingston <sup>4</sup>	2,350	140	97,210	\$ 694	3,030	128.9%	3,018,850
Luce <sup>4</sup>	3,617	36	66,442	\$ 1,846	1,706	47.2%	1,282,942

This exhibit continued on next page.

OFFICE OF LAND SURVEY AND REMONUMENTATION  
Department of Licensing and Regulatory Affairs

Remonumentation Completion Status and Costs

County	Total Number of Corners <sup>1</sup>	Number of Corners Completed <sup>2</sup>	Grant Year 2018		Cumulative Through December 31, 2018		
			Total State Grant Amounts Expended	Average Cost per Corner Completed	Number of Corners Completed <sup>3</sup>	Percent of Corners Completed <sup>3</sup>	Total State Grant Amounts Expended
Mackinac	5,354	52	\$ 78,444	\$ 1,509	2,014	37.6%	\$ 1,589,715
Macomb <sup>4</sup>	1,732	100	232,784	\$ 2,328	2,645	152.7%	6,286,664
Manistee	2,306	30	46,257	\$ 1,542	1,655	71.8%	891,362
Marquette	7,547	79	146,760	\$ 1,858	2,537	33.6%	3,115,371
Mason	3,360	32	44,634	\$ 1,395	1,765	52.5%	899,043
Mecosta <sup>4</sup>	2,182	34	51,771	\$ 1,523	2,328	106.7%	1,071,111
Menominee <sup>4</sup>	4,076	85	72,146	\$ 849	4,004	98.2%	1,699,550
Midland	1,912	43	57,169	\$ 1,330	1,713	89.6%	1,278,958
Missaukee <sup>4</sup>	2,319	41	46,415	\$ 1,132	1,205	52.0%	910,110
Monroe	2,362	53	72,053	\$ 1,359	1,481	62.7%	1,657,229
Montcalm <sup>4</sup>	2,632	44	69,582	\$ 1,581	2,501	95.0%	1,768,023
Montmorency	2,054	42	43,525	\$ 1,036	1,427	69.5%	892,991
Muskegon <sup>5</sup>	2,012	91	56,052	\$ 616	2,738	136.1%	1,720,202
Newaygo	3,368	44	74,046	\$ 1,683	3,017	89.6%	1,877,040
Oakland <sup>4</sup>	4,406	85	277,765	\$ 3,268	4,619	104.8%	10,347,575
Oceana	2,025	37	47,527	\$ 1,285	1,618	79.9%	974,942
Ogemaw <sup>4</sup>	1,986	49	48,317	\$ 986	1,340	67.5%	991,630
Ontonagon	6,159	65	96,110	\$ 1,479	3,214	52.2%	1,797,851
Osceola	2,180	36	49,012	\$ 1,361	2,254	103.4%	1,115,964
Oscoda	2,240	39	44,058	\$ 1,130	1,724	77.0%	878,717
Otsego	2,073	58	47,054	\$ 811	1,175	56.7%	855,351
Ottawa <sup>5</sup>	2,186	142	49,063	\$ 346	3,480	159.2%	2,411,611
Presque Isle	2,424	36	52,716	\$ 1,464	1,495	61.7%	1,035,554
Roscommon	2,155	26	47,174	\$ 1,814	1,773	82.3%	1,292,443
Saginaw	3,080	95	94,873	\$ 999	2,123	68.9%	2,122,453
Sanilac	3,480	56	81,207	\$ 1,450	2,158	62.0%	1,644,451
Schoolcraft	4,980	87	87,519	\$ 1,006	2,377	47.7%	1,707,660
Shiawassee <sup>4</sup>	1,838	52	54,181	\$ 1,042	1,935	105.3%	1,494,790
St. Clair	2,753	49	88,935	\$ 1,815	1,742	63.3%	2,481,743
St. Joseph	2,224	30	50,344	\$ 1,678	1,419	63.8%	1,224,867
Tuscola	2,900	48	70,954	\$ 1,478	1,866	64.3%	1,580,948
Van Buren <sup>4</sup>	2,304	37	64,523	\$ 1,744	1,701	73.8%	1,799,455
Washtenaw	2,722	78	123,980	\$ 1,589	2,274	83.5%	3,042,837
Wayne <sup>4</sup>	3,017	252	669,206	\$ 2,656	3,359	111.3%	12,758,710
Wexford	2,144	40	49,662	\$ 1,242	1,494	69.7%	1,024,028
<b>Total</b>	<b>225,218</b>	<b>4,696</b>	<b>\$ 6,416,886</b>	<b>\$ 1,366</b>	<b>173,592</b>	<b>77.1%</b>	<b>\$ 150,358,623</b>

<sup>1</sup> Based on the original county plan estimates submitted to OLSR in the early 1990s. These are expected to increase significantly with the submission of new county plans in 2020.

<sup>2</sup> Includes corners only funded by SSRF.

<sup>3</sup> Includes corners funded by SSRF and other sources. Also, may include corners not included in the total number of corners column as Public Act 166 of 2014 allowed counties to remonument additional corners and revisit previously completed corners to obtain geodetic coordinates.

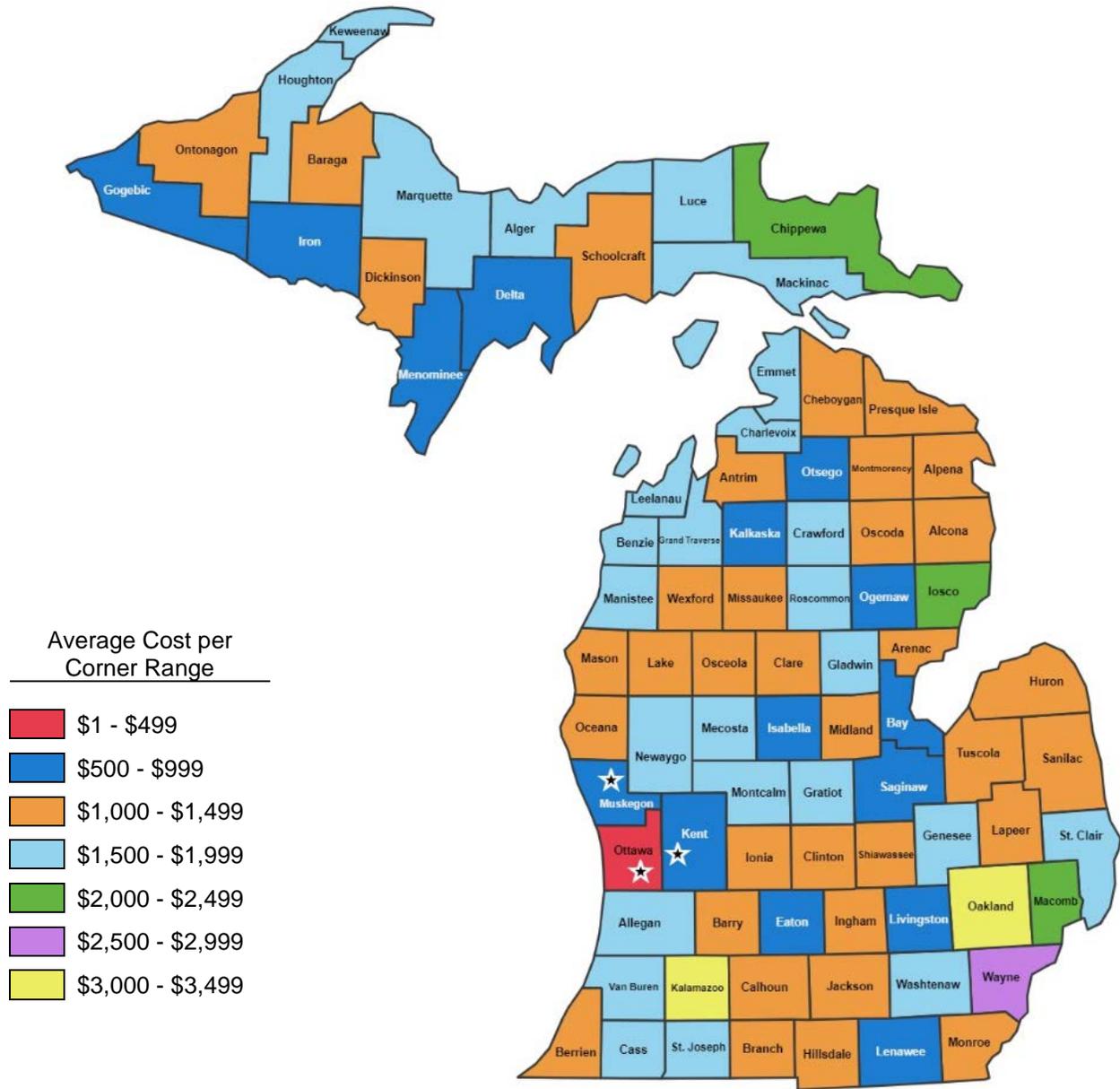
<sup>4</sup> Grant year 2018 number of corners completed includes one or more previously completed corners that were revisited to obtain geodetic coordinates.

<sup>5</sup> Counties that had completed their remonumentation phase and were in the perpetual maintenance phase as of December 31, 2018.

Source: The OAG prepared this exhibit based on county completion reports and OLSR's tracking spreadsheets.

OFFICE OF LAND SURVEY AND REMONUMENTATION  
Department of Licensing and Regulatory Affairs

Average Cost per Corner by County  
Grant Year 2018



★ Maintenance: Counties that had completed their remonumentation phase and were in the perpetual maintenance phase as of December 31, 2018.

Source: The OAG prepared this exhibit based on county completion reports.

**OFFICE OF LAND SURVEY AND REMONUMENTATION**  
Department of Licensing and Regulatory Affairs

Expenditures of the Five Counties With the Highest and Lowest Average Cost Per Corner<sup>1</sup>  
Grant Year 2018

Expenditures

County	Remonumentation Services and Supplies and Materials		Administrative		Totals			Average Cost Per Corner	Number of Corners		
	Budget	Actual	Budget	Actual	Budget	Actual	Unexpended		Budget	Actual	Variance
Kalamazoo	\$ 81,618	\$ 81,626	\$ 16,350	\$ 16,288	\$ 97,968	\$ 97,914	\$ 54	\$ 3,497	34	28	(6)
Oakland	\$ 222,265	\$ 227,815	\$ 55,500	\$ 49,950	\$ 277,765	\$ 277,765	\$ 0	\$ 3,268	84	85	1
Wayne	\$ 651,378	\$ 651,284	\$ 47,010	\$ 17,922	\$ 698,388	\$ 669,206	\$ 29,182	\$ 2,656	259	252	(7)
Macomb	\$ 198,277	\$ 197,887	\$ 34,507	\$ 34,897	\$ 232,784	\$ 232,784	\$ 0	\$ 2,328	98	100	2
Iosco	\$ 39,006	\$ 39,006	\$ 9,360	\$ 8,869	\$ 48,366	\$ 47,875	\$ 491	\$ 2,176	22	22	0
Menominee	\$ 78,831	\$ 70,701	\$ 2,630	\$ 1,445	\$ 81,461	\$ 72,146	\$ 9,315	\$ 849	76	85	9
Kalkaska	\$ 43,778	\$ 43,778	\$ 600	\$ 600	\$ 44,378	\$ 44,378	\$ 0	\$ 837	53	53	0
Otsego	\$ 41,055	\$ 41,504	\$ 6,000	\$ 5,550	\$ 47,055	\$ 47,054	\$ 1	\$ 811	58	58	0
Iron	\$ 82,268	\$ 80,124	\$ 5,550	\$ 5,373	\$ 87,818	\$ 85,497	\$ 2,321	\$ 807	106	106	0
Delta	\$ 94,690	\$ 94,690			\$ 94,690	\$ 94,690	\$ 0	\$ 776	126	122	(4)

Breakout of Administrative Expenditures

County	Grant Administrator and Other Administrative Fees/Wages		County Representative Fees/Wages		Peer Review Group Fees/Wages		Administrative Supplies and Indirect Costs		Administrative Expenditures as a Percentage of Total Expenditures
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	
Kalamazoo	\$ 2,400	\$ 2,389	\$ 7,550	\$ 7,550	\$ 4,375	\$ 4,250	\$ 2,025	\$ 2,099	16.6%
Oakland	\$ 8,700	\$ 8,700	\$ 36,000	\$ 36,000	\$ 10,800	\$ 5,250			18.0%
Wayne	\$ 60		\$ 11,750	\$ 7,556	\$ 15,000	\$ 6,750	\$ 20,200	\$ 3,616	2.7%
Macomb			\$ 27,835	\$ 29,337	\$ 6,672	\$ 5,560			15.0%
Iosco			\$ 7,255	\$ 7,255		\$ 1,074	\$ 2,105	\$ 540	18.5%
Menominee	\$ 250	\$ 99	\$ 1,250	\$ 850	\$ 750	\$ 496	\$ 380		2.0%
Kalkaska					\$ 600	\$ 600			1.4%
Otsego	\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100	\$ 1,800	\$ 1,350			11.8%
Iron	\$ 1,500	\$ 1,500	\$ 3,150	\$ 3,150	\$ 600	\$ 220	\$ 300	\$ 504	6.3%
Delta									0.0%

<sup>1</sup>Analysis excluded the 3 counties that were in the perpetual maintenance phase and the 2 counties that had only completed revisits of previously completed corners to obtain geodetic coordinates; however, it included counties that had completed remonumentation corners and counties that had completed remonumentation corners and revisits of previously completed corners.

Source: The OAG prepared this exhibit based on county grant agreements and completion reports.

## AGENCY DESCRIPTION

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OLSR is responsible for:

- SSRGP

This Statewide grant program is for remonumenting public land survey corners in accordance with the State Survey and Remonumentation Act, Sections 54.261 - 54.279 of the *Michigan Compiled Laws*.

- Mobile Home Affidavits of Affixture (AOAs) and Affidavits of Detachment (AODs)

AOA is a process for an individual or an entity to affix a manufactured home to privately owned land in order to consolidate the real property deed and the mobile home vehicle registration. AOD is the process of removing a manufactured home from the real property deed and reinstating the mobile home's vehicle title. OLSR approves or denies AOAs or AODs in accordance with the Mobile Home Commission Act, Section 125.2330i of the *Michigan Compiled Laws*.

- Subdivision Plat\* Review

OLSR administers the Land Division Act (LDA), Sections 560.101 - 560.293 of the *Michigan Compiled Laws*, which regulates the disposition of lots, parcels, or interests in land within subdivision plats. OLSR's licensed surveyors review final plat maps to ensure compliance with LDA and authorize the submission of the final plats to the respective county's register of deeds office for recordation. OLSR also reviews amended plats involved in circuit court claims and judgments to ensure compliance with LDA.

For fiscal year 2018, OLSR expended \$6.5 million (\$5.9 million for county remonumentation grants and approximately \$650,000 for administrative costs). As of July 31, 2019, OLSR employed 3 licensed surveyors, 1 departmental technician, and 1 departmental analyst.

\* See glossary at end of report for definition.

## AUDIT SCOPE, METHODOLOGY, AND OTHER INFORMATION

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### AUDIT SCOPE

To examine the documentation and procedures related to OLSR's operations for SSRGP. We conducted this performance audit\* in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We did not include the AOA, AOD, or subdivision plat review functions in the scope of our audit because we did not identify significant concerns within these areas during our preliminary survey that would warrant further review.

### PERIOD

Our audit procedures, which included a preliminary survey, audit fieldwork, report preparation, analysis of agency response, and quality assurance, generally covered October 1, 2016 through May 31, 2019.

### METHODOLOGY

We conducted a preliminary survey to gain an understanding of OLSR's operations and activities in order to establish our audit objectives, scope, and methodology. During our preliminary survey, we:

- Interviewed OLSR management and staff regarding their responsibilities and procedures.
- Reviewed applicable State laws, regulations, and contractual requirements.
- Reviewed OLSR's Lean Process Improvement plans and written processes.
- Analyzed remitted recordation fee revenue for fiscal years 2017 and 2018.
- Analyzed OLSR payroll expenditures for fiscal years 2017 and 2018 and from October 1, 2018 through May 31, 2019.
- Verified OLSR's calculation of the 2017, 2018, and 2019 county remonumentation grant award amounts for all 83 counties.

\* See glossary at end of report for definition.

- Reviewed the tracking spreadsheet that OLSR utilized to ensure that county grant expenditures were appropriate and did not exceed the respective award amounts.
- Completed a 10-year trend analysis of recordation fee revenue remittances by county.
- Analyzed average cost per corner amounts per county for grant years 2017 and 2018.
- Reviewed county grant completion reports and OLSR's review notes for grant years 2017 and 2018.
- Reviewed the 2017 and 2019 biennial legislative reports, which covered July 1, 2015 through June 30, 2017 and July 1, 2017 through June 30, 2019, respectively.

## **OBJECTIVE**

To assess the effectiveness of OLSR's efforts to administer SSRGP.

To accomplish this objective, we:

- Visited the register of deeds offices in Wayne, Kent, and Ionia Counties and:
  - Interviewed the county staff involved in the remonumentation program regarding their procedures for procurement of surveyors and administration of grant funds to determine statutory and grant agreement compliance.
  - Reviewed 100% of the supporting documentation for the 2018 grant expenditures, including payments to contractors, to determine whether grant funds were expended appropriately and did not exceed grant award amounts and compared our results with OLSR's grant tracking spreadsheet.
  - Compared 100% of the recordation fee remittances received by OLSR with the counties' general ledger activity reports for grant year 2018 to determine whether the counties' remittances were accurate.

We judgmentally selected the 3 counties based on the dollar amount of remitted recordation fees and whether the county was in the remonumentation or maintenance phase to ensure sufficient coverage. Therefore, we could not project our results into the entire population.

- Selected 14 counties and:
  - Reviewed OLSR's tracking spreadsheet of county grant information and expenditures.

- Compared 100% of the total grant expenditures from the counties' grant year 2017 or 2018 completion reports with the approved grant agreements and with the total amount of grant funds provided to determine whether OLSR's grant payments exceeded the grant amount.
- Reviewed year-to-year changes in the average cost per corner by county and compared them with the general inflation rate from the U.S. Bureau of Labor Statistics for grant years 2016, 2017, and 2018 to determine whether there was a correlation.

We randomly selected 7 counties from grant year 2017 and randomly and judgmentally selected 7 counties from grant year 2018 based on the largest dollar amount of remitted recordation fees. Therefore, we could not project our results into the entire population.

- Selected 7 counties and reviewed 100% of the grant year 2018 remonumentation invoices submitted with the counties' completion reports to determine whether the expenditures appeared appropriate and complete and had sufficient support. We randomly selected 5 counties and judgmentally selected 2 counties based on the largest dollar amount of remitted recordation fees. Therefore, we could not project our results into the entire population.
- Selected 5 counties and analyzed the grant year 2018 expenditures to determine whether the percentage breakdown by expenditure category (type) was consistent among the counties. We judgmentally selected the counties based on average cost per corner and could not project our results into the entire population.
- Analyzed the reasonableness of the recordation fee revenue submitted by the 83 counties for State fiscal years 2017 and 2018 and compared the amounts with OLSR's revenue tracking spreadsheet.
- Tested the accuracy of OLSR's 2017, 2018, and 2019 grant award calculations to determine compliance with the statutory formula and OLSR's additional allocation provisions.
- Analyzed the average cost per corner amounts for the 83 counties to identify the ranges for both remonumentation and maintenance phases for grant years 2017 and 2018.
- Reviewed 83 counties' completion reports for grant years 2017 and 2018 to determine whether the counties submitted supporting documentation for all expenditures and whether the support was detailed and appropriate.

- Compared the number of corners completed by the 83 counties for grant years 2017 and 2018 according to the counties' completion reports with the approved number of corners in their grant agreements to determine whether the counties were completing their agreed upon number of corners and whether OLSR was pursuing variances and reporting accurate figures in the biennial legislative report.

## **CONCLUSIONS**

We base our conclusions on our audit efforts and any resulting material conditions\* or reportable conditions.

When selecting activities or programs for audit, we direct our efforts based on risk and opportunities to improve State government operations. Consequently, we prepare our performance audit reports on an exception basis.

## **AGENCY RESPONSES**

Our audit report contains 1 finding and 1 corresponding recommendation. LARA's preliminary response indicates that it agrees with the recommendation.

The agency preliminary response that follows the recommendation in our report was taken from the agency's written comments and oral discussion at the end of our fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and the State of Michigan Financial Management Guide (Part VII, Chapter 4, Section 100) require an audited agency to develop a plan to comply with the recommendations and to submit it to the State Budget Office upon completion of an audit. Within 30 days of receipt, the Office of Internal Audit Services, State Budget Office, is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

## **SUPPLEMENTAL INFORMATION**

Our audit report includes supplemental information presented as Exhibits #1, #2, and #3. Our audit was not directed toward expressing a conclusion on this information.

\* See glossary at end of report for definition.

## **GLOSSARY OF ABBREVIATIONS AND TERMS**

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<b>AOA</b>	affidavit of affixture.
<b>AOD</b>	affidavit of detachment.
<b>completion report</b>	An end of grant year report that each county submits that details its grant expenditures, the corners completed, and variance explanations.
<b>effectiveness</b>	Success in achieving mission and goals.
<b>grant year</b>	Based on a calendar year (January through December).
<b>LARA</b>	Department of Licensing and Regulatory Affairs.
<b>LDA</b>	Land Division Act.
<b>material condition</b>	A matter that, in the auditor's judgment, is more severe than a reportable condition and could impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the judgment of an interested person concerning the effectiveness and efficiency of the program. Our assessment of materiality is in relation to the respective audit objective.
<b>observation</b>	A commentary that highlights certain details or events that may be of interest to users of the report. An observation may not include all of the attributes (condition, effect, criteria, cause, and recommendation) that are presented in an audit finding.
<b>OLSR</b>	Office of Land Survey and Remonumentation.
<b>performance audit</b>	An audit that provides findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision-making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.
<b>plat</b>	A map or chart of a subdivision of land.

<b>public land survey corner</b>	A corner originally established and monumented pursuant to orders and instructions issued by the United States government and Public Act 166 of 2014 for the purposes of delineating United States public lands and private lands or subdividing public lands for conveyance.
<b>remonumentation</b>	All land surveying activities performed by a surveyor to monument or perpetuate a previously monumented public land survey corner, protracted public land survey corner, or property controlling corner.
<b>reportable condition</b>	A matter that, in the auditor's judgment, is less severe than a material condition and falls within any of the following categories: an opportunity for improvement within the context of the audit objectives; a deficiency in internal control that is significant within the context of the audit objectives; all instances of fraud; illegal acts unless they are inconsequential within the context of the audit objectives; significant violations of provisions of contracts or grant agreements; and significant abuse that has occurred or is likely to have occurred.
<b>SFA</b>	Senate Fiscal Agency.
<b>SSRF</b>	State Survey and Remonumentation Fund.
<b>SSRGP</b>	State Survey and Remonumentation Grant Program.











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