



# OAG

Office of the Auditor General

## Report Summary

*Performance Audit  
State Park Concessions, Leases, and  
Operating Agreements  
Parks and Recreation Division  
Department of Natural Resources (DNR)*

**Report Number:**  
751-0135-21

**Released:**  
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The Parks and Recreation Division manages 103 State parks, recreation areas, and scenic sites, with 54 of them operating one or more concessions. The Division also administers 96 harbors, 1,100 boating access sites, and 12,500 miles of trails with more than 1,200 leases and nonexclusive operating agreements. The Division enters into concession contracts, leases, and operating agreements (agreements) to acquire, protect, and preserve the natural and cultural features of Michigan's unique resources and to provide access to land- and water-based recreation and educational opportunities. The Division had revenues totaling \$1.8 million and \$1.4 million in fiscal years 2019 and 2020, respectively, from agreement commissions.

Audit Objective			Conclusion
Objective 1: To assess the sufficiency of the Division's efforts to monitor State park concessions, leases, and operating agreements.			Not sufficient
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
Six of 31 concession operators at the State parks had unsecured tools, broken items, and/or structural damage posing a safety risk. Seven of 31 concession operators sold contractually prohibited items, and we considered 5 of 31 concession operators' premises unorganized and unclean ( <a href="#">Finding 1</a> ).	X		Agrees
Ancillary documents to various agreements, such as insurance policies and inspection reports, were missing for 52 of 173 instances ( <a href="#">Finding 2</a> ).	X		Agrees
DNR did not fully implement access controls over the Central Reservation System (CRS), increasing the risk of unauthorized access, use, and modification of CRS data. Privileged access rights were not always assigned based on job responsibilities. Three (7%) of 43 users no longer needed access ( <a href="#">Finding 3</a> ).		X	Agrees

Audit Objective			Conclusion
Objective 2: To assess the sufficiency of the Division's efforts to maximize revenue or obtain valuable consideration from concessions, leases, and operating agreements.			Sufficient, with exceptions
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
Improved segregation of duties over cash handling is needed. Mail was not opened and cash logs were not verified by two employees. Twelve (17%) of 71 concession payments received at State parks were not certified by two employees ( <u>Finding 4</u> ).		X	Agrees
Strengthened controls over revenue recording are needed because the Division's Excel tracking spreadsheets excluded over \$280,000 (8%) of revenue collected from agreements ( <u>Finding 5</u> ).		X	Agrees
Collection of revenue and assessment of late fees for agreements need improvement. Of 102 payments, 43 (42%) were either received late or not received and late fees of \$16,150 were not assessed ( <u>Finding 6</u> ).		X	Agrees
Improvements in quantifying valuable consideration for lease agreements are needed to ensure sufficient benefits are received from lessees. Valuable consideration was not quantified for 20 (95%) of 21 lease agreements ( <u>Finding 7</u> ).		X	Agrees
Observations Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
Opportunities exist for the Division to facilitate communication between park staff and its Innovations Team, which could increase recreational opportunities for the public and increase revenue for the State ( <u>Observation 1</u> ).	Not applicable for observations.		

Audit Objective			Conclusion
Objective 3: To assess the effectiveness of the Division's efforts to award State park concession, lease, and operating agreement contracts in accordance with applicable requirements.			Effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
Two (20%) of 10 concession contracts reviewed were not awarded in accordance with applicable requirements. Also, documentation was lacking to support concession contract award decisions for 4 (40%) bids ( <u>Finding 8</u> ).		X	Agrees

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