

Office of the Auditor General
Performance Audit Report

Real Estate Acquisition and Disposition
Department of Natural Resources

November 2023

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

Real Estate Acquisition and Disposition

Department of Natural Resources (DNR)

Report Number:

751-0155-23

Released:

November 2023

DNR is authorized by Section 324.503 of the *Michigan Compiled Laws* to acquire, dispose, exchange, and accept gifts of land on behalf of Michigan citizens. As of July 2023, DNR managed 4.6 million acres so current and future generations can use and enjoy the State's natural and cultural resources. The Real Estate Section (RES) within DNR was established to conduct acquisitions and dispositions of land, including the purchase of land, the exchange of land, the sale of surplus State-owned land managed by DNR, and the granting of easements across State-managed land. RES is also responsible for maintaining the deeds for all 4.6 million acres within the Land Ownership Tracking System (LOTS).

Audit Objective			Conclusion
Objective 1: To assess the sufficiency of DNR's administration of land acquisitions.			Sufficient
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
None reported.	Not applicable.		

Audit Objective			Conclusion
Objective 2: To assess the sufficiency of DNR's administration of land dispositions.			Sufficient, with exceptions
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
As of July 13, 2023, DNR had not listed 1,344 parcels (over 6,800 acres) for sale that were approved for disposal between 2005 and 2023 (Finding 1).		X	Agrees

Audit Objective			Conclusion
Objective 3: To assess the effectiveness of selected application access controls over LOTS.			Not effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
DNR's lack of access controls over LOTS could result in a failure to detect inappropriate modification or deletion of the State's deeds or mineral rights (<u>Finding 2</u>).	X		Agrees

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Doug A. Ringler, CPA, CIA
Auditor General

November 17, 2023

M. Scott Bowen, Director
Department of Natural Resources
Constitution Hall
Lansing, Michigan

Director Bowen:

This is our performance audit report on Real Estate Acquisition and Disposition, Department of Natural Resources.

We organize our findings and observations by audit objective. Your agency provided preliminary responses to the recommendations 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,

Doug Ringler
Auditor General

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AUDIT OBJECTIVES, CONCLUSIONS, FINDINGS, AND OBSERVATIONS

ADMINISTRATION OF LAND ACQUISITIONS

BACKGROUND

The Department of Natural Resources (DNR) acquired the majority of its land through tax reversion between 1920 and 1950 (see Exhibit 1). DNR acquisitions are primarily funded through federal revenue, State revenue, and private donations. However, DNR also receives gifts of land and performs land exchanges. In addition to acquiring land, DNR routinely reviews and enters into easement agreements with private landowners and other nongovernmental agencies to ensure access to public lands.

Land acquisitions are initiated by the various divisions within DNR and then authorized by the DNR director. DNR's Real Estate Section (RES) obtains appraisals, negotiates the acquisition price, maintains all appropriate legal documentation associated with the acquisition, and approves the financial transaction.

From October 1, 2021 through July 10, 2023, RES finalized 78 deeds and easement agreements related to land acquisitions within the Land Ownership Tracking System (LOTS). These land acquisition documents primarily related to the:

- Purchase of 2,774 acres for \$6.3 million.
- Acceptance of 1,346 acres as gifts.
- Obtainment of 1,322 acres through exchanges.
- Purchase of 12 easements for \$1.8 million.

AUDIT OBJECTIVE

To assess the sufficiency of DNR's administration of land acquisitions.

CONCLUSION

Sufficient.

FACTORS IMPACTING CONCLUSION

- 100% of sampled purchases, gifts, exchanges, and easements were, if applicable:
 - Authorized.
 - Appraised prior to finalization.
 - Documented appropriately with a deed or easement.
 - Acquired using the appropriate funds.
 - Completed in a timely manner.
- 100% of judgmentally sampled land acquisitions reviewed to determine reasonableness of the price paid by DNR had an acquisition price less than or equal to the appraised amount.

ADMINISTRATION OF LAND DISPOSITIONS

BACKGROUND

Section 324.503 of the *Michigan Compiled Laws* requires DNR to develop a written strategic plan to guide the disposition of State lands managed by DNR, submit the plan to the relevant legislative committees, and post the plan on DNR's website.

To identify land for disposal, the State Land Review team divided the State into nine groups (see Exhibit 2) and classified parcels into four categories:

1. **Retain** in State ownership.
2. **Alternative Conservation Owner (ACO)**: Disposal by exchange, sale, or transfer to alternate units of government or conservation organizations. If parcels are not acquired by ACOs, they are retained by DNR.
3. **Exchange**: Make available and market land exchange opportunities for a period of two years from the DNR director's approval date. Parcels not involved in a proposed exchange transaction after two years proceed through the disposal process.
4. **Dispose**: Disposal by exchange, auction, sale, or transfer.

After the State Land Review team completes its review by group, it submits an official list of recommendations to the DNR director for final approval. Once approved, RES records the director's approval for each parcel in LOTS. RES determines when to list these lands for sale based on its professional judgment.

As of July 31, 2023, the DNR director approved the following dispositions based on the State Land Review team's recommendations:

Group	DNR Director Approval Date	Number of Counties	ACOs Approved	Exchanges Approved	Disposals Approved
1	August 12, 2021	10	55	13	133
2	September 16, 2021	10	37	11	114
3	January 13, 2022	10	46	15	253
4	May 12, 2022	10	5	34	82
5	October 13, 2022	10	18	34	209
6	February 09, 2023	11	242	127	352
7	June 08, 2023	11	37	42	131
8	Not Completed	11	Not completed at time of review.		
9	Not Completed	Statewide Miscellaneous	Not completed at time of review.		
Total		83	440	276	1,274

RES also grants easements, performs exchanges, and completes other dispositions of land with appropriate approvals within DNR.

From October 1, 2021 through July 10, 2023, RES finalized 395 deeds, easements, and other agreements related to dispositions of DNR lands recorded within LOTS. These land disposition documents primarily related to the:

- Sale of 4,101 acres for \$5.9 million.
- Exchange of 1,053 acres.
- Sale of 139 easements for \$1.7 million.
- Sale of platted lands for \$1.3 million.

AUDIT OBJECTIVE

To assess the sufficiency of DNR's administration of land dispositions.

CONCLUSION

Sufficient, with exceptions.

**FACTORS
IMPACTING
CONCLUSION**

- 100% of sampled land disposition transactions were:
 - Authorized.
 - Appropriately valued prior to disposition.
 - Documented appropriately with a deed or easement.
 - Completed in a timely manner.
- 99.7% of the 1,990 parcels approved for ACO, exchange, or disposal by the DNR director as part of the State Land Review team's groups 1 through 7 were accurately classified in LOTS as of July 13, 2023.
- 100% of randomly sampled parcels identified for retention in the State Land Review team's groups 1 through 7 were accurately classified within LOTS.
- 99.8% of the 440 ACOs were disposed of or listed for sale on DNR's website as of July 12, 2023.
- The DNR-owned acreage recorded within LOTS as of July 12, 2023 and reported in the 2022 Department of Treasury *Payment in Lieu of Taxes* Report* were materially consistent.

* See glossary at end of report for definition.

- 100% of judgmentally sampled land sale transactions reviewed to determine reasonableness of the proceeds from land sales were sold at a price greater than or equal to the appraised amount.
- Reportable condition* related to improvements needed in the monitoring and reporting of land approved for disposal (Finding 1).

* See glossary at end of report for definition.

FINDING 1

Improvements needed in the monitoring and reporting of land approved for disposal.

DNR did not monitor and fully report on its land approved for disposal activities. Without establishing a monitoring process, DNR cannot appropriately evaluate its progress toward achieving the strategic plan goals. Also, a monitoring process would help identify parcels which were not listed for sale, find the barriers to a sale, and allow management to continue to evaluate the proposed disposition for the unsold parcels.

Section 324.503 of the *Michigan Compiled Laws* requires DNR to develop a strategic plan to guide the acquisition and disposition of State lands managed by DNR. To accomplish the strategic plan goals, DNR staff identify land for disposal and, with DNR director approval, RES staff classify the parcels for disposal in LOTS and dispose of the surplus land through public auction, negotiated sale, or exchange.

Annually, DNR submits a report and posts the report on its website on the implementation of its strategy, including land purchases and disposals, but does not report on the status of land approved for disposal and not listed for sale. Our LOTS query identified 1,344 parcels classified for disposal as of July 13, 2023 which were still State-owned and managed by DNR and not listed for sale. Our further review noted 811 of the 1,344 parcels were approved for disposal as part of groups 1 through 7 with approval dates ranging from August 12, 2021 through June 8, 2023, as follows:

Group	Number (Percentage) of Parcels State-Owned and Managed by DNR and Not Listed For Sale ¹	DNR Director Approval Date	Number of Days Since DNR Director Approval	Total Acreage ²
1	42 (32%)	August 12, 2021	700	299
2	41 (36%)	September 16, 2021	665	523
3	191 (75%)	January 13, 2022	546	203
4	24 (29%)	May 12, 2022	427	80
5	194 (93%)	October 13, 2022	273	1,398
6	191 (54%)	February 9, 2023	154	3,110
7	128 (98%)	June 8, 2023	35	1,214
Total	811 (64%)			6,827

¹ Parcels not disposed divided by total in group listed for sale (see background).

² According to documents provided to the DNR director for approval.

In addition, because we could not easily verify approval dates for the remaining 533 of the 1,344 parcels, we randomly sampled 33 parcels and noted some parcels were approved for disposal 18 years ago. We identified 29 parcels approved for sale between 2005 and 2008 and 4 approved in 2021.

RES informed us although the DNR director approves the parcels for disposal, the timing as to when parcels are listed for sale is based on its professional judgment; for example, the parcels may have little or no market value, are contested, require significant research, or are associated with in-progress cases.

RECOMMENDATION

We recommend DNR monitor and fully report on its land approved for disposal activities.

**AGENCY
PRELIMINARY
RESPONSE**

DNR provided us with the following response:

The Department of Natural Resources (DNR) agrees with the finding and will report on land approved for disposal activities. A monitoring process will be developed to identify parcels not listed for sale, identify the barriers to a sale, and allow management to continue to evaluate the proposed disposition for the unsold parcels.

LOTS APPLICATION ACCESS CONTROLS

BACKGROUND

Access controls* limit or detect inappropriate access to computer resources, thereby protecting the resources from unauthorized modification, loss, or disclosure. For access controls to be effective, they should be properly designed, implemented, and maintained.

DNR uses LOTS to maintain its deeds, easements, and other legal documents which specify DNR's surface and mineral rights. Also, LOTS is used to document the acquisition, nullification, or modification of these legal documents.

Access controls over LOTS are the responsibility of DNR. As of June 29, 2023, 600 active user accounts existed in LOTS. The table below summarizes the user accounts by level of access:

Access Level	Number of Users
System Administrator	4
Edit	106
Read-Only	490
Total	600

AUDIT OBJECTIVE

To assess the effectiveness* of selected application access controls over LOTS.

CONCLUSION

Not effective.

FACTORS IMPACTING CONCLUSION

- Material condition* related to improvements needed over LOTS access controls (Finding 2).
- DNR appropriately limited the number of users with system administrator privileges.

* See glossary at end of report for definition.

FINDING 2

Improvements needed over LOTS access controls.

DNR's lack of access controls over LOTS could result in a failure to detect inappropriate modification or deletion of the State's deeds or mineral rights.

DNR needs to improve its access and monitoring controls over LOTS to protect information from unauthorized use, disclosure, modification, or destruction.

State of Michigan Technical Standard 1340.00.020.01 requires agencies to implement processes to grant access rights based on the principle of least privilege*, review the appropriateness of user accounts annually or semiannually for privileged accounts, disable users after 60 days of inactivity, remove access when it is no longer required, and monitor privileged functions, such as account creation and modification.

We noted:

- a. DNR did not monitor privileged activities, including account creation, modification, or deletion. As a result, modification or deletion of deeds, parcels, or mineral rights could be performed without detection.
- b. DNR did not implement segregation of duties*. We noted 4 users with system administrator privileges who were also responsible for processing acquisitions and disposals. Without appropriate segregation of duties, these users could change their access rights without detection and perform activities outside their normal job responsibilities.
- c. DNR did not review privileged user access semiannually or all other accounts annually.
- d. DNR did not establish a process to notify system administrators when a user's access to LOTS should be removed. For the 600 active LOTS users as of June 29, 2023, 130 (22%) were no longer State employees. The table below summarizes access level and length of time an active user account existed after termination of State employment:

Access Level	Number of Users	Approximate Range of Time Since Termination
Edit	14	17 days to 5 years
Read-Only	116	20 days to 6 years
Total	130	

* See glossary at end of report for definition.

- e. DNR did not disable 440 (73%) of 600 LOTS user accounts after more than 60 days of inactivity as detailed in the table below:

Last Year of Account Activity	Access Level		Total
	Edit	Read-Only	
2017	7	146	153
2018	2	33	35
2019	4	31	35
2020	5	30	35
2021	2	34	36
2022	8	56	64
2023	18	64	82
Total	46	394	440

DNR informed us no individual was assigned these responsibilities over LOTS.

We consider this finding to be a material condition because the combination of deficiencies identified could result in a failure to detect inappropriate modification or deletion of the State's deeds or mineral rights.

RECOMMENDATION

We recommend DNR improve its access and monitoring controls over LOTS to protect information from unauthorized use, disclosure, modification, or destruction.

AGENCY PRELIMINARY RESPONSE

DNR provided us with the following response:

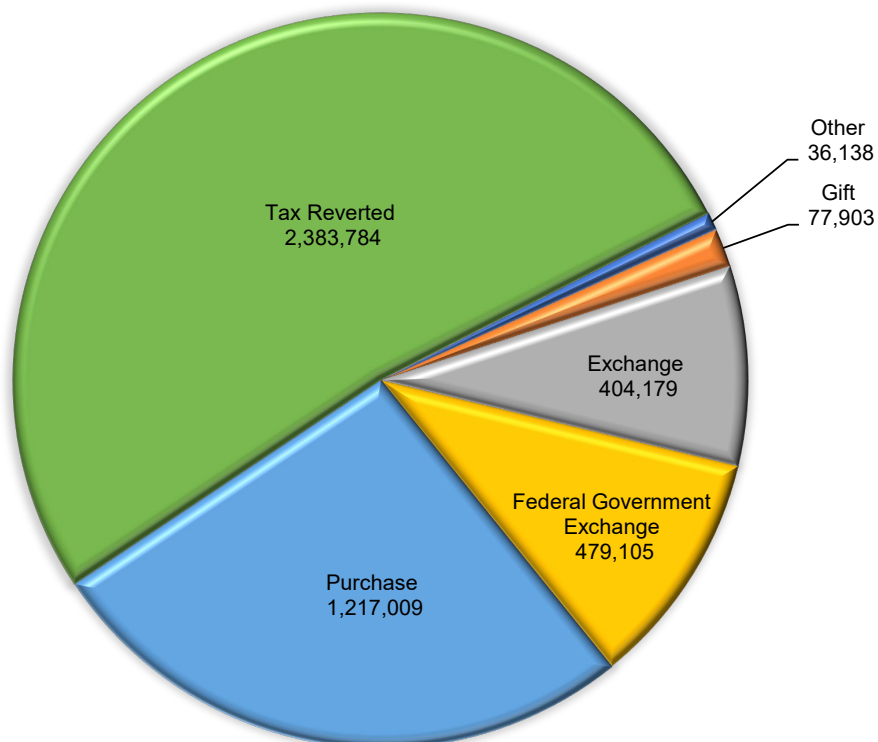
The DNR agrees with the finding and will improve its access and monitoring controls over LOTS to align with State of Michigan Technical Standard 1340.00.020.01. The DNR will develop policies and procedures and will coordinate with the Department of Technology, Management, and Budget to implement a LOTS system enhancement leading to compliance with the stated technical standard.

SUPPLEMENTAL INFORMATION

UNAUDITED
Exhibit 1

REAL ESTATE ACQUISITION AND DISPOSITION Department of Natural Resources

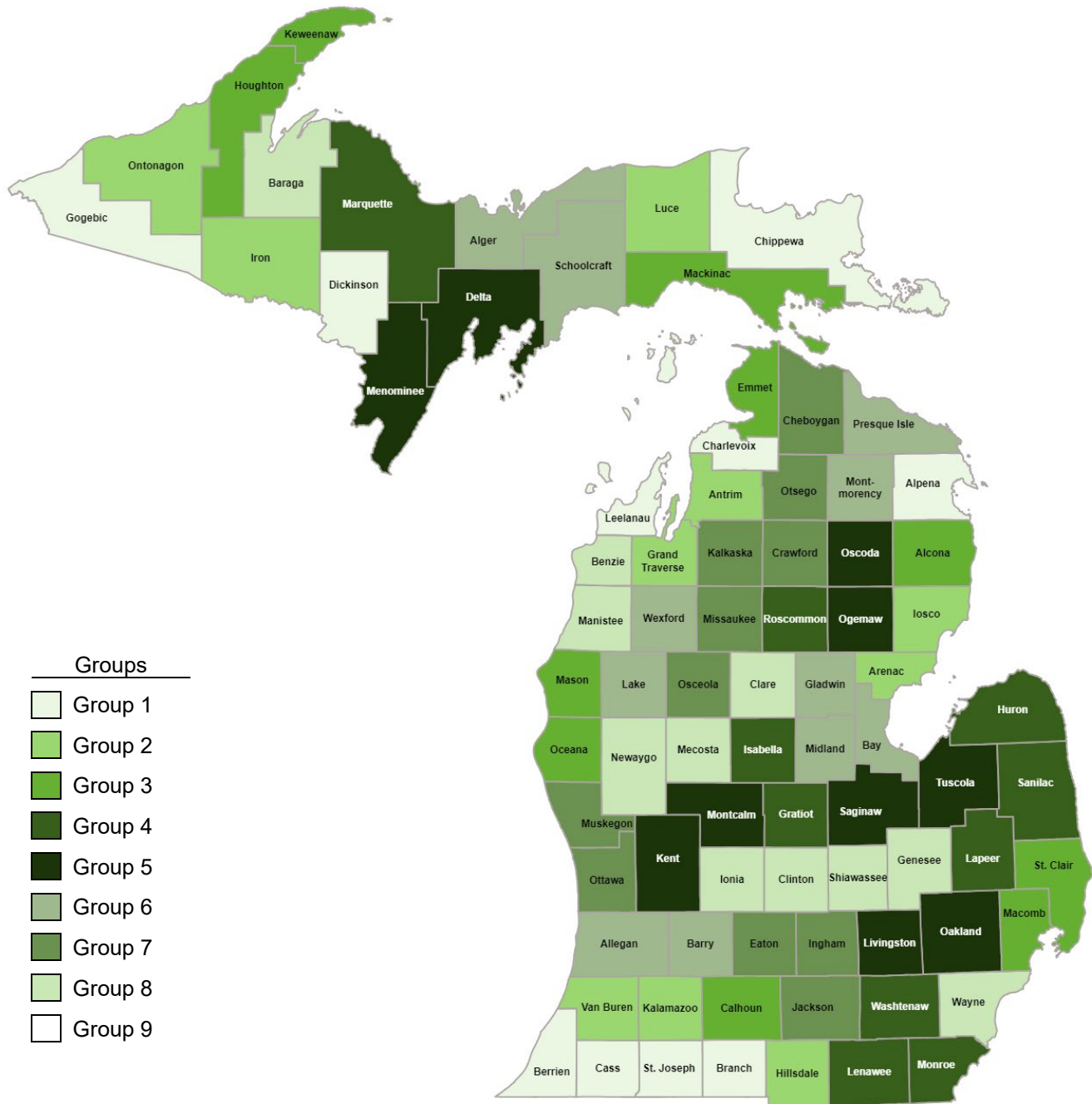
DNR-Managed Lands by Acquisition Method
As of July 10, 2023



Source: The OAG prepared this exhibit using data obtained from DNR's LOTS.

REAL ESTATE ACQUISITION AND DISPOSITION
Department of Natural Resources

State Land Review Team Groups by County
As of July 31, 2023



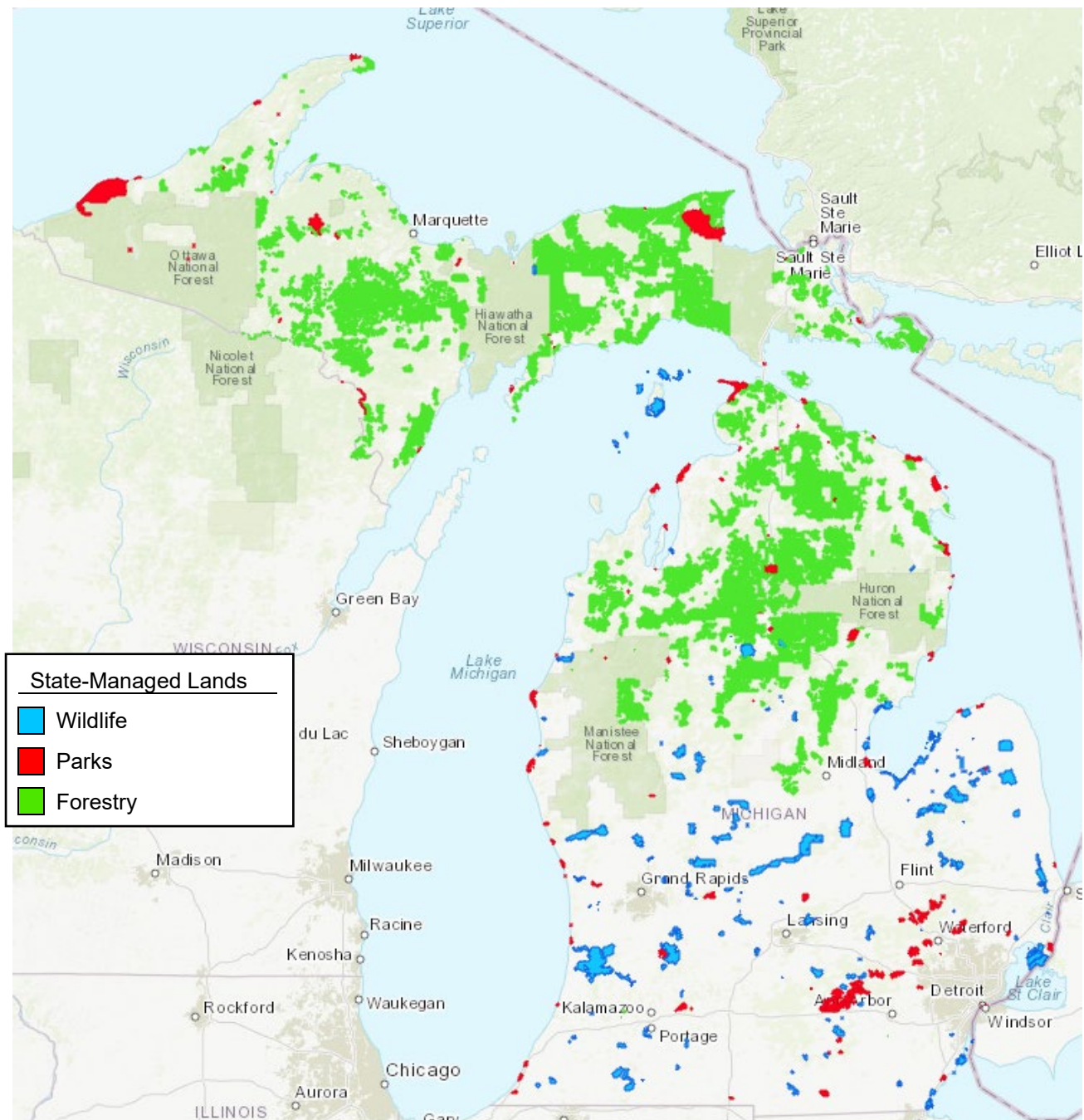
This exhibit continued on next page.

Group	Counties
 1	Alpena, Berrien, Branch, Cass, Charlevoix, Chippewa, Dickinson, Gogebic, Leelanau, and St. Joseph (10 counties).
 2	Antrim, Arenac, Grand Traverse, Hillsdale, Iosco, Iron, Kalamazoo, Luce, Ontonagon, and Van Buren (10 counties).
 3	Alcona, Calhoun, Emmet, Houghton, Keweenaw, Mackinac, Macomb, Mason, Oceana, and St. Clair (10 counties).
 4	Gratiot, Huron, Isabella, Lapeer, Lenawee, Marquette, Monroe, Roscommon, Sanilac, and Washtenaw (10 counties).
 5	Delta, Kent, Livingston, Menominee, Montcalm, Oakland, Ogemaw, Oscoda, Saginaw, and Tuscola (10 counties).
 6	Alger, Allegan, Barry, Bay, Gladwin, Lake, Midland, Montmorency, Presque Isle, Schoolcraft, and Wexford (11 counties).
 7	Cheboygan, Crawford, Eaton, Ingham, Jackson, Kalkaska, Missaukee, Muskegon, Osceola, Otsego, and Ottawa (11 counties).
 8	Baraga, Benzie, Clare, Clinton, Genesee, Ionia, Manistee, Mecosta, Newaygo, Shiawassee, and Wayne (11 counties).
 9	Statewide Miscellaneous.

Source: The OAG created this exhibit using DNR's 2021 Land Strategy Appendix.

REAL ESTATE ACQUISITION AND DISPOSITION
Department of Natural Resources

DNR-Managed Lands
As of July 10, 2023



Source: The OAG obtained this exhibit from DNR's website.

DESCRIPTION

DNR is committed to the conservation, protection, management, use, and enjoyment of the State's natural and cultural resources for current and future generations.

Section 324.503 of the *Michigan Compiled Laws* requires DNR to conserve and protect the natural resources of the State and to provide and develop facilities for outdoor recreation. In addition, DNR is authorized to accept gifts and grants of lands and other property and may buy, sell, exchange, or condemn land and other property on behalf of Michigan citizens.

As of July 10, 2023, DNR managed 4.6 million acres of State-owned land. This included 3.9 million acres of State forests, 360,000 acres of State parks, and 364,000 acres of State game and wildlife areas (see Exhibit 3).

As of October 5, 2023, RES had 10 employees managing acquisitions, dispositions, and LOTS access, and RES expended \$4.7 million on associated payroll expenditures from October 1, 2021 through July 31, 2023.

AUDIT SCOPE, METHODOLOGY, AND OTHER INFORMATION

AUDIT SCOPE

To examine the records and processes related to DNR land acquisitions and dispositions. 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.

Our audit did not include assessing DNR Minerals Management Section operations. Therefore, we provided no conclusions related to these items.

As part of the audit, we considered the five components of internal control (control environment, risk assessment, control activities, information and communication, and monitoring activities) relative to the audit objectives and determined all components were significant.

PERIOD

Our audit procedures, which included a preliminary survey, audit fieldwork, report preparation, analysis of agency responses, and quality assurance, generally covered October 1, 2021 through July 31, 2023.

METHODOLOGY

We conducted a preliminary survey to gain an understanding of DNR's records and processes related to land acquisitions and dispositions to establish our audit objectives, scope, and methodology. During our preliminary survey, we:

- Interviewed DNR management and staff to obtain an understanding of their processes and responsibilities.
- Reviewed applicable State laws, regulations, administrative rules, and legislatively required reports related to DNR land acquisitions and dispositions.
- Analyzed cases, documents, and parcels with acreage and 100% surface rights recorded within LOTS as of July 10, 2023.
- Reviewed various financial coding and data from the Statewide Integrated Governmental Management Applications* (SIGMA) for fiscal year 2022 related to DNR land acquisitions and dispositions.

* See glossary at end of report for definition.

- Obtained an understanding of RES's and the Department of Technology, Management, and Budget's processes for performing assessments related to risks, control activities, and monitoring components applicable to DNR acquisitions and dispositions.
- Performed limited testing of parcels approved by the DNR director for disposal.
- Obtained an initial understanding and completed limited testing of LOTS user access controls.

OBJECTIVE 1

To assess the sufficiency of DNR's administration of land acquisitions.

- Randomly and judgmentally sampled 11 of 78 land acquisitions from October 1, 2021 through July 10, 2023 to determine whether the acquisitions were, as applicable:
 - Authorized.
 - Appraised prior to finalization.
 - Documented appropriately with a deed or easement.
 - Acquired using the appropriate funds.
 - Completed in a timely manner.
- Judgmentally sampled 10 of 78 land acquisitions from October 1, 2021 through July 10, 2023 to determine the reasonableness of the purchase price by comparing it with the appraised amount.

Our random samples were selected to eliminate bias and enable us to project the results to the respective populations. Our judgmental samples were selected based on risk or to ensure representativeness and, therefore, we could not project those results to the respective populations.

OBJECTIVE 2

To assess the sufficiency of DNR's administration of land dispositions.

To accomplish this objective, we:

- Randomly and judgmentally sampled 39 of 395 land dispositions finalized from October 1, 2021 through

July 10, 2023 within LOTS to determine whether the land dispositions were:

- Authorized.
 - Appropriately valued prior to finalization.
 - Documented appropriately with a deed or easement.
 - Completed in a timely manner.
- Reviewed all 1,990 parcels approved for ACO, exchange, or disposal by the DNR director as part of the State Land Review team's groups 1 through 7 to determine whether they were classified appropriately within LOTS as of July 13, 2023.
 - Randomly sampled 33 of 6,187 parcels approved for retention by the DNR director as part of the State Land Review team's groups 1 through 7 (August 12, 2021 through June 8, 2023) to determine whether they were accurately identified within LOTS as of August 2, 2023.
 - Reviewed all 440 parcels approved for ACO by the DNR director, as part of the State Land Review team's groups 1 through 7, to determine whether they were disposed in LOTS as of July 13, 2023 or were listed for sale.
 - Compared the DNR-owned acreage recorded within LOTS as of July 10, 2023 and reported in the 2022 Department of Treasury *Payment in Lieu of Taxes Report* to ensure acres owned by the State were consistent.
 - Judgmentally sampled 16 of 215 land sale transactions from October 1, 2021 through July 10, 2023 to determine reasonableness of DNR's proceeds by comparing them with the appraised amounts.
 - Reviewed all 1,274 parcels approved for disposal by the DNR director as part of the State Land Review team's groups 1 through 7 to determine whether they were disposed in LOTS as of July 13, 2023 or were listed for sale.
 - Randomly sampled 33 of the 533 parcels not listed for sale, classified for disposal within LOTS as of July 13, 2023, and not included in the State Land Review team's groups 1 through 7 to determine the DNR director's approval date.

Our random samples were selected to eliminate bias and enable us to project the results to the respective populations. Our judgmental samples were selected based on risk or to

ensure representativeness and, therefore, we could not project those results to the respective populations.

OBJECTIVE 3

To assess the effectiveness of selected application access controls over LOTS.

To accomplish this objective, we:

- Reviewed the appropriateness of access rights for all 4 active LOTS accounts with system administrator privileges as of June 29, 2023.
- Determined if DNR implemented a process for granting, monitoring, and removing LOTS users.
- Reviewed LOTS last log-in date for all 600 active user accounts as of June 29, 2023 to identify users who had not accessed LOTS for at least 60 days.
- Reviewed users with LOTS access who were no longer State employees to identify users who did not have their access removed.

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 2 findings and 2 corresponding recommendations. DNR's preliminary response indicates it agrees with the recommendations.

The agency preliminary response following each 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.

GLOSSARY OF ABBREVIATIONS AND TERMS

access controls	Controls that protect data from unauthorized modification, loss, or disclosure by restricting access and detecting inappropriate access attempts.
ACO	Alternative Conservation Owner.
DNR	Department of Natural Resources.
effectiveness	Success in achieving mission and goals.
LOTS	Land Ownership Tracking System.
material condition	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.
payment in lieu of taxes	State of Michigan payments to local units of government in lieu of property taxes for the land owned by the State.
performance audit	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.
principle of least privilege	The practice of limiting access to the minimal level that will allow normal functioning. Applied to employees, the principle of least privilege translates to giving people the lowest level of user access rights they can have and still do their jobs. The principle is also applied to things other than people, including programs and processes.
reportable condition	A matter that, in the auditor's judgment, is less severe than a material condition and falls within any of the following categories: a deficiency in internal control; noncompliance with provisions of laws, regulations, contracts, or grant agreements; opportunities to improve programs and operations; or fraud.

RES

Real Estate Section.

segregation of duties

Assigning different people the responsibilities of authorizing transactions, recording transactions, and maintaining custody of assets to reduce the opportunities to allow any person to be in a position to both perpetrate and conceal errors or fraud in the normal course of his or her duties. Proper segregation of duties requires separating the duties of reporting, review and approval of reconciliations, and approval and control of documents.

**Statewide Integrated
Governmental Management
Applications (SIGMA)**

The State's enterprise resource planning business process and software implementation supporting budgeting, accounting, purchasing, human resource management, and other financial management activities.



Report Fraud/Waste/Abuse

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