

Office of the Auditor General
Follow-Up Report on Prior Audit Recommendations

**State Park Concessions, Leases, and
Operating Agreements**
Parks and Recreation Division
Department of Natural Resources

January 2026

State of Michigan Auditor General
Doug A. Ringler, CPA, CIA

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.



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Report Summary

*Follow-Up Report
State Park Concessions, Leases, and
Operating Agreements
Parks and Recreation Division
Department of Natural Resources*

Report Number:
751-0135-21F

Released:
January 2026

We conducted this follow-up to determine whether the Parks and Recreation Division had taken appropriate corrective measures in response to the two material conditions noted in our May 2022 audit report.

Prior Audit Information
Finding 1 - Material condition Improved concession monitoring needed. Agency agreed.
Finding 2 - Material condition Improved contract management needed. Agency agreed.

Follow-Up Results		
Conclusion	Finding	Agency Preliminary Response
Partially complied	Reportable condition exists. See <u>Finding 1</u> .	Agrees
Complied		Not applicable.

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Doug A. Ringler, CPA, CIA
Auditor General

January 13, 2026

Rebecca A. Humphries, Chair
Natural Resources Commission
and

M. Scott Bowen, Director
Department of Natural Resources
Deborah A. Stabenow Building
Lansing, Michigan

Chair Humphries and Director Bowen:

This is our follow-up report on the two material conditions (Findings 1 and 2) and two corresponding recommendations reported in the performance audit of State Park Concessions, Leases, and Operating Agreements, Parks and Recreation Division, Department of Natural Resources. That audit report was issued and distributed in May 2022. Additional copies are available on request or at audgen.michigan.gov.

Your agency provided the preliminary response to the follow-up recommendation included in this report. The *Michigan Compiled Laws* require an audited agency to develop a plan to comply with the recommendations and submit it to the State Budget Office (SBO) upon audit completion. State administrative procedures require the audited agency to develop the plan as early as practicable and within 60 days after report issuance and submit the plan to the Office of Internal Audit Services (OIAS), SBO. Within 30 days of receipt, OIAS will 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 our follow-up. If you have any questions, please call me or Laura J. Hirst, CPA, Deputy Auditor General.

Sincerely,

Doug Ringler
Auditor General

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INTRODUCTION, PURPOSE OF FOLLOW-UP, AND AGENCY DESCRIPTION

INTRODUCTION

This report contains the results of our follow-up of the two material conditions* (Findings 1 and 2) and two corresponding recommendations reported in our performance audit* of State Park Concessions, Leases*, and Operating Agreements, Parks and Recreation Division, Department of Natural Resources (DNR), issued in May 2022.

PURPOSE OF FOLLOW-UP

To determine whether the Division had taken appropriate corrective measures to address our corresponding recommendations.

AGENCY DESCRIPTION

The Division manages 103 State parks, recreation areas, and scenic sites, with 68 of them operating one or more concessions (see Exhibit 1). Also, the Division administers 82 harbors, 1,300 boating access sites, and 13,700 miles of trails with more than 1,200 concession contracts*, leases, and nonexclusive operating agreements*. The Division enters into 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. In fiscal years 2023 and 2024, DNR earned agreement commission revenue totaling \$2.2 million and \$1.9 million, respectively. From October 1, 2024 through July 31, 2025, DNR earned agreement commission revenue totaling \$0.9 million.

DNR enters into agreements for various goods and services including:

Concessions	Operating Agreements	Leases
Firewood vending	Boat repair services	Boat launches
Ice vending	Equestrian services	Outdoor centers*
Park stores	Livery	Ski hills
Water slides	Recreational vehicle rental	

* See glossary at end of report for definition.

PRIOR AUDIT FINDINGS AND RECOMMENDATIONS; AGENCY PLAN TO COMPLY; AND FOLLOW-UP CONCLUSIONS, RECOMMENDATION, AND AGENCY PRELIMINARY RESPONSE

FINDING 1

Audit Finding Classification: Material condition.

Summary of the May 2022 Finding:

The Division did not sufficiently monitor concession operations to ensure compliance with contractual requirements.

Our site visits of 30 concession contracts and 1 operating agreement at 14 State parks and recreation areas disclosed the Division did not ensure the concession operators met all the contractual requirements of their contract or maintained the safety, cleanliness, or structural maintenance of the contracted area.

Our site visits noted:

- 6 (19%) of 31 operators had unsecured tools, broken items, or structural damage posing public safety risks, such as knives, rotted support beams, open electrical panels, and damaged watercraft.
- 1 (33%) of 3 water parks did not ensure the required number of lifeguards were properly positioned to view all sides of the inflatable equipment. The Division previously issued violation notices regarding this issue.
- 1 (33%) of 3 water parks was not equipped with a required automated external defibrillator.
- 5 (16%) of 31 operators had unorganized or unclean premises, including storage rooms visible to campers were cluttered with empty boxes and other items. At one location, staff had to climb over a table to access items in the storage area.
- 7 (23%) of 31 operators were selling contractually prohibited items such as fixed blade knives, non-Coast Guard approved flotation devices, and unbundled or large firewood exceeding contractual specifications.
- 2 (6%) of 31 operators were closed or not operating during the required contractual time frames and had not obtained park manager approval.
- 8 (73%) of 11 operators offering watercraft rentals did not ensure all watercraft were registered with the Secretary of State as required by Section 324.80124 of the *Michigan Compiled Laws*. We noted 27% of the watercraft observed either were unregistered or had expired registrations.

- 2 (6%) of 31 operators did not sell healthy food items such as fresh fruit or vegetables as contractually required.

In addition, State park managers and supervisors were surveyed and 14 (26%) of 53 respondents stated dissatisfaction with the current operators in their park, primarily because of contract violations.

Recommendation Reported in May 2022:

We recommended the Division sufficiently monitor concession operations to ensure compliance with contractual requirements.

AGENCY PLAN TO COMPLY*

On August 5, 2022, the Division indicated it agreed and had hired a second lease and concession manager to improve concession monitoring. Also, the Division stated it would develop training and materials for field staff to use during site audits to ensure compliance with policies.

FOLLOW-UP CONCLUSION

Partially complied. A reportable condition* exists.

Our follow-up noted the Division made progress; however, the Division should continue to improve its monitoring of concessions, leases, and operating agreements.

We conducted site visits at 14 State parks and recreation areas and observed operators of 25 concession contracts, 2 operating agreements, and 1 lease. The concession contracts consisted of camp stores, watercraft, bicycle or ORV rentals, firewood sales, food trucks, and a horse-riding area with stables. The operating agreements consisted of self-service watercraft rentals, and the lease was an outdoor center with cabins.

Specifically, we noted:

- 7 (64%) of 11 watercraft rental operators, accounting for 229 (87%) of 264 watercraft such as kayaks and canoes, were renting some watercraft with either faded or unreadable motor carrier registration numbers or expired registrations (see Exhibit 2). This condition was noted for one of the same parks in the May 2022 audit report.
- 2 (22%) of 9 camp store operators did not have the required warning signage posted for the non-Coast Guard approved flotation devices stating the items were not lifesaving devices. This condition was noted for one of the same parks in the May 2022 audit report.
- 1 (11%) of 9 camp store and 1 of the waterslide operators were not open for business during the contractually required days and hours and were closed without DNR's approval.

* See glossary at end of report for definition.

- 1 (13%) of 8 firewood sale operators had unorganized and unclean areas with unbundled and improperly stored firewood (see Exhibit 2). The agreement allowed bulk firewood; however, it stated if the firewood was unbundled, an alternate packaging/carrying source must be provided. This condition was noted in the May 2022 audit report.
- The one horse-riding/stable operator had rotted beams and broken and jagged boards in its horse stable, which is a potential safety hazard (see Exhibit 2). This condition was noted in the May 2022 audit report.

**FOLLOW-UP
RECOMMENDATION**

We again recommend the Division sufficiently monitor concession operations to ensure compliance with contractual requirements.

**FOLLOW-UP
AGENCY
PRELIMINARY
RESPONSE**

The Division provided us with the following response:

DNR agrees with the recommendation.

The Concession and Lease Supervisor will continue meeting with staff weekly, with the purpose being to continuously improve the Concessions and Lease program. In addition to maintaining commitments from the previous corrective action plan, Concession and Lease staff have implemented monthly meetings, with managers of units with a concession, to review and answer questions and receive updates on the status of monthly inspections. Reminder emails will also be issued to Unit Managers in which a monthly inspection report has not yet been received. In addition to these actions, District Supervisors will also include, in their employees' annual performance plan, a specific objective requiring the completion of the monthly concession inspection reports.

FINDING 2

Audit Finding Classification: Material condition.

Summary of the May 2022 Finding:

The Division had not established sufficient internal control* over its management of required contract documentation to reduce the risk of contract noncompliance.

The Division's policy states all required documentation is to be obtained and reviewed prior to the opening of the concession for each operating season*. Our review of 37 agreement contracts verifying the Division obtained all required contract-related documentation disclosed the Division did not:

- a. Obtain or maintain 52 (30%) of 173 required documents as follows:
 - 15 (88%) of 17 inspection reports.
 - 16 (48%) of 33 workers' compensation insurance policies.
 - 10 (30%) of 33 liability insurance policies.
 - 3 (17%) of 18 price lists.
 - 3 (17%) of 18 employee lists.
 - 2 (14%) of 14 equipment lists.
 - 1 (10%) of 10 COVID-19* pandemic plans.
 - 1 (7%) of 14 profit and loss reports.
 - 1 (6%) of 16 bond deposit receipts.
- b. Obtain 2 (11%) of 18 required concession employee or contractor background checks.
- c. Ensure 11 (33%) of 33 contracts had adequate liability insurance coverage amounts.
- d. Track the agreements and similar activities in a centralized system. The Division used Excel spreadsheets to document the agreements and the required documentation at each individual State park, causing an incomplete record of the operations in place at the parks.

We also surveyed State park supervisors and managers and received 53 responses, which included a list of agreements at their parks. Our comparison of these responses with the Division's Excel tracking spreadsheets

* See glossary at end of report for definition.

disclosed the Division's Excel tracking spreadsheets did not include:

- (1) 2 (2%) of 120 agreements operated by outside entities.
- (2) 2 (9%) of 23 boat rental concessions operated by State park employees.
- (3) 7 (37%) of 19 activities, such as trail maintenance or educational and recreational opportunities for the public, provided by partners of DNR.

Recommendation Reported in May 2022:

We recommended the Division establish sufficient internal control over its management of required contract documentation to reduce the risk of contract noncompliance.

AGENCY PLAN TO COMPLY

On August 5, 2022, the Division indicated it agreed and had hired a second lease and concession manager to increase program oversight, as well as transitioned contract management from Microsoft Excel spreadsheets to Microsoft Lists. Also, to provide better organization and efficiency, all current files would be transferred into electronic formats, and contract management software options would be researched to streamline the contracting process.

FOLLOW-UP CONCLUSION

Complied.

We reviewed 5 of 21 operators from the 28 active agreement contracts for the required documents from the 2023, 2024, and 2025 operating seasons, as applicable, to verify the Division obtained and maintained all required contract-related documentation. We determined the Division:

- a. Obtained or maintained 96 (94%) of 102 required documents as follows:
 - 9 (60%) of 15 inspection reports.
 - All 15 workers' compensation insurance policies.
 - All 15 liability insurance policies.
 - All 15 price lists.
 - All 15 employee lists.
 - All 12 equipment lists.
 - All 10 profit and loss reports.
 - All 5 bond deposit receipts.

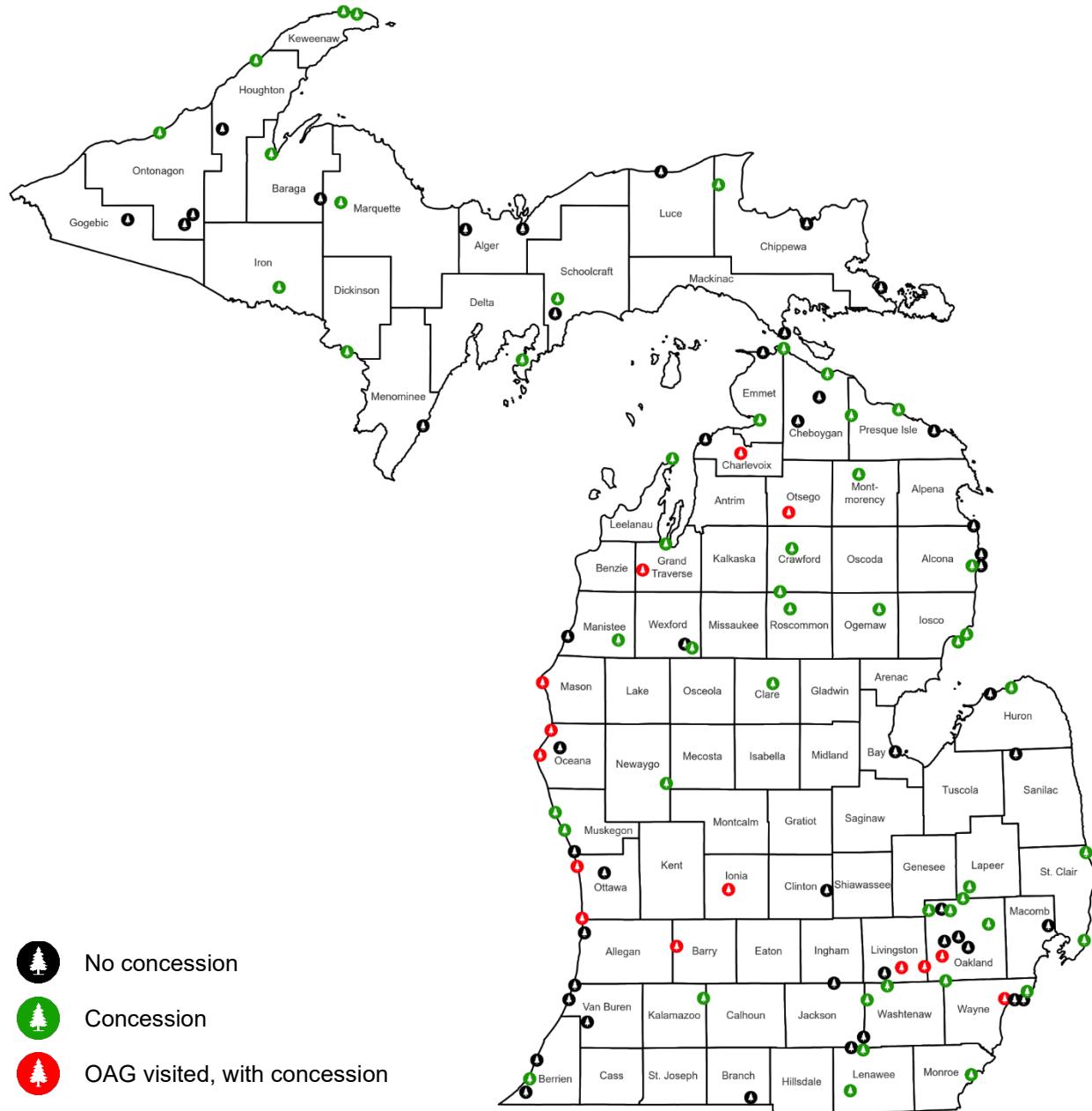
- b. Obtained all 15 required concession employee or contractor background checks.
- c. Ensured all 15 contracts had adequate liability insurance coverage amounts.
- d. Implemented Microsoft Lists as its centralized system to track all agreements and transitioned all files into electronic format to enhance its internal control over its management of required contract documentation, resulting in improved documentation acquisition.

SUPPLEMENTAL INFORMATION

UNAUDITED
Exhibit 1

STATE PARK CONCESSIONS, LEASES, AND OPERATING AGREEMENTS Department of Natural Resources

Map of State Parks in Michigan
As of November 26, 2025



To view the interactive map, use this link: [State Parks in Michigan](#)

Source: The OAG prepared this exhibit using information provided by DNR.

STATE PARK CONCESSIONS, LEASES, AND OPERATING AGREEMENTS
Department of Natural Resources

Photographs of Examples of Noncompliance With Contract Requirements

Brighton Recreation Stables, Brighton Recreation Area
Rotted support beams and unrepainted stall.



Ionia State Park

Faded or unreadable motor carrier registration number.



Mears State Park

Faded or unreadable motor carrier registration number.



This exhibit continued on next page.

Exhibit 2
(Continued)

Otsego Lake State Park

Faded or unreadable motor carrier registration number.

Unregistered watercraft rentals.



Young State Park

Unbundled wood not properly stored with unorganized and unclean area.



Source: Photographs were taken by OAG staff.

FOLLOW-UP METHODOLOGY, PERIOD, AND AGENCY RESPONSES

METHODOLOGY

We reviewed the Division's corrective action plan and updated policies and procedures and interviewed Division personnel. Specifically, for:

- Finding 1, we judgmentally sampled 14 of 103 State parks and recreation areas to perform site visits to observe whether the operators of agreements active during the 2025 operating season complied with contractual obligations such as safety requirements, sale of approved items, and cleanliness guidelines.
- Finding 2, from the 14 State parks we visited, we identified 28 active agreements from 21 operators. We randomly sampled 5 of the 21 operators to determine whether the Division obtained and maintained the contract-related documentation required for the operator to open its business. We reviewed the operator's documentation for the 2023, 2024, and 2025 operating seasons, as applicable.

PERIOD

Our follow-up generally covered June 1, 2023 through July 31, 2025.

AGENCY RESPONSES

Our follow-up report contains 1 recommendation. DNR agrees with the recommendation.

The agency preliminary response to the follow-up 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* requires an audited agency to develop a plan to comply with the recommendations and submit it to SBO upon audit completion. The State of Michigan Financial Management Guide (Part VII, Chapter 3, Section 100) requires the audited agency to develop the plan as early as practicable and within 60 days after report issuance and submit the plan to OIAS, SBO. Within 30 days of receipt, OIAS will either accept the plan as final or contact the agency to take additional steps to finalize the plan.

GLOSSARY OF ABBREVIATIONS AND TERMS

agency plan to comply	The response required by Section 18.1462 of the <i>Michigan Compiled Laws</i> for an audited agency to develop a plan to comply with Office of the Auditor General audit recommendations and submit the plan to SBO upon audit completion. The State of Michigan Financial Management Guide (Part VII, Chapter 3, Section 100) requires the audited agency to develop the plan as early as practicable and within 60 days after report issuance and submit the plan to OIAS, SBO. Within 30 days of receipt, OIAS will either accept the plan as final or contact the agency to take additional steps to finalize the plan.
agreements	Concession contracts, leases, or operating agreements.
concession contract	An agreement between the department and a person under terms and conditions specified by the department to provide services or recreational opportunities for public use. This contract grants exclusive rights to provide the services.
COVID-19	The disease caused by a coronavirus called SARS-CoV-2. It is a potentially severe illness often characterized by fever, coughing, and shortness of breath. The World Health Organization first learned of the new virus in December 2019.
DNR	Department of Natural Resources.
internal control	The plan, policies, methods, and procedures adopted by management to meet its mission, strategic plan, goals, and objectives. Internal control includes the processes for planning, organizing, directing, and controlling program operations. It also includes the systems for measuring, reporting, and monitoring program performance. Internal control serves as a defense in safeguarding assets and in preventing and detecting errors; fraud; violations of laws, regulations, and provisions of contracts and grant agreements; or abuse.
leases	A conveyance by the department to a person of a portion of the State's interest in land under specific terms and for valuable consideration, thereby granting to the lessee the possession of the portion conveyed during the period stipulated.
material condition	A matter, in the auditor's judgment, which 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.

nonexclusive operating agreement	An agreement used to specify the terms and conditions when the department is approached with a request for the use of State land for a service or activity. This does not grant exclusive rights to provide the services or activity.
OIAS	Office of Internal Audit Services.
operating season	The period when State parks are open. Most State parks are open year-round; however, a typical concession contract requires business to be conducted from Memorial Day through Labor Day.
outdoor center	A location providing outdoor education-related activities and events for youth-based summer camp programs. Also, sleeping cabins, kitchen facilities, and meeting space is provided for the youth camp programs and to the public for events such as family reunions and church sponsored social events.
performance audit	An audit which 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.
reportable condition	A matter, in the auditor's judgment, 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.
SBO	State Budget Office.



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