

**DEPARTMENT OF ENVIRONMENTAL  
PROTECTION**

**PRIOR AUDIT FOLLOW-UP  
LEASES, EASEMENTS, AND OTHER USES OF  
STATE-OWNED LANDS**

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**Operational Audit**



## SECRETARY OF THE DEPARTMENT OF ENVIRONMENTAL PROTECTION

Section 20.255(1), Florida Statutes, creates the Department of Environmental Protection. The head of the Department is the Secretary, who is appointed by the Governor, with concurrence of three or more members of the Cabinet and confirmation by the Senate. The following Secretaries served during the period of our audit:

Herschel Vinyard	From January 18, 2011
Mimi Drew	From September 11, 2010, Through January 17, 2011
Michael W. Sole	Through September 10, 2010

The audit team leader was Randall Nelson and the audit was supervised by Susan C. Phelan, CPA. Please address inquiries regarding this report to David R. Vick, CPA, Audit Manager, by e-mail at [davidvick@aud.state.fl.us](mailto:davidvick@aud.state.fl.us) or by telephone at (850) 487-4494.

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## DEPARTMENT OF ENVIRONMENTAL PROTECTION

### Prior Audit Follow-Up

#### Leases, Easements, and Other Uses of State-Owned Lands

#### SUMMARY

This operational audit of the Department of Environmental Protection, Prior Audit Follow-Up Leases, Easements, and Other Uses of State-Owned Lands focused on a determination of the status of the corrective actions taken with respect to the findings included in our report No. 2010-028, Leases, Easements, and Other Uses of State-Owned Lands. Those matters requiring continuing corrective action are described below.

#### SOVEREIGNTY SUBMERGED LAND LEASES

**Finding No. 1:** The Department lacked effective controls to ensure that all sovereignty submerged land leased sites were timely inspected, that adequate follow-up was performed on noted noncompliance, and that information regarding lease inspections was correctly entered in the Integrated Land Management System.

#### UPLAND LEASES

**Finding No. 2:** The Department should continue its efforts to ensure the timely receipt and review of land management and land use plans.

**Finding No. 3:** The Department should establish written procedures for the inspection of leased hunt camp sites.

#### BILLING AND COLLECTION OF LEASE FEES

**Finding No. 4:** The Department had not documented that the current authorized fee assessment amounts were reasonable and commensurate with the Department's actual cost of administering and managing leases and easements.

#### BACKGROUND

Pursuant to law, the Department of Environmental Protection (Department) is responsible for all duties and functions related to the acquisition, administration, and disposition of State lands, title to which is or will be vested in the Board of Trustees of the Internal Improvement Trust Fund (Board).<sup>1</sup> In connection with these duties, the Department, on behalf of the Board, enters into leases or similar instruments which are to govern the activities conducted on more than 11 million acres of sovereignty submerged lands, including navigable lakes and rivers, and State-owned uplands.

The Bureau of Public Land Administration (Bureau), within the Department's Division of State Lands (Division), manages leases, easements, and other uses of State-owned lands. The Bureau consists of several units including the Submerged Lands, Uplands, and the Recurring Revenue Sections.

#### FINDINGS AND RECOMMENDATIONS

This operational audit of the Department of Environmental Protection focused on a determination of the status of the corrective actions taken with respect to the findings included in our report No. 2010-028, Leases, Easements, and

<sup>1</sup> Section 253.002(1), Florida Statutes.

Other Uses of State-Owned Lands. Except as discussed in succeeding paragraphs, the Department had taken, or was in the process of taking, corrective actions.

### Sovereignty Submerged Land Leases

Authorization to use sovereignty submerged lands is addressed at both the local and State levels. First, the applicable Department District Office and Water Management District Office are to process applications for the use of sovereignty submerged lands and issue the applicant a regulatory permit for the proposed use. Then, the Submerged Lands Section is to prepare the proprietary authorization, lease, easement, or other form of consent authorizing the proposed use. Unless the proposed activity on sovereignty submerged lands is exempt from proprietary approval, no activity is to commence on sovereignty submerged lands without both regulatory and proprietary approvals.

#### **Finding No. 1: Inspection of Sovereignty Submerged Land Lease Sites**

Board rules require the Department to inspect sites subject to lease at least once every five years to determine compliance with the terms and conditions of the lease.<sup>2</sup> In addition, the standard lease agreements provide that the leased premises shall be subject to inspection at any reasonable time. Board rules also require the Department to impose a fine if a lessee fails to correct a violation disclosed by an on-site inspection. Fines collected for failure to address such violations totaled \$151,399 during the period July 2009 through February 2011.

The Department used the Integrated Land Management System (ILMS) to maintain information regarding sovereignty submerged land leases, including the date of the last on-site inspection, whether the lessee was found to be in compliance, and the next scheduled on-site inspection. ILMS was also to contain information regarding the lease terms, such as the execution date and the expiration date of the lease.

As part of our follow-up on the prior audit, we reviewed Department records for ten private marina leases which had lease terms of ten years or more such that at least two inspections would have been required. Our review disclosed:

- For one lease, the Department, as of March 2011, had not notified or taken any action against a lessee who was found to be in noncompliance based on an on-site inspection performed in February 2009. The unresolved noncompliance issues included the mooring of the vessels and the location of empty slips outside the lease boundary, slips in excess of the number authorized by the lease, the location of pilings and piers outside the lease boundary, and the use of an unauthorized covering for a dock.
- For two of the ten leases, based upon our review of the available inspection reports, the on-site inspections that were due to be performed within five years of the previous inspection were each five years overdue. Further analysis of ILMS records disclosed that for the 97 extended term leases in effect as of March 2011, ILMS record entries indicated that 45 inspections that were due were either not performed or were performed late. However, a determination of the exact number of timely and untimely inspections could not be readily and accurately determined because of ILMS data integrity issues. Department staff indicated that although no inspection date may have been shown in ILMS, an inspection may have been completed by the District, but the date of the inspection may not have been reported and recorded in ILMS by Department staff. Our audit tests confirmed that inspection results were not always recorded in ILMS. For two of ten inspection reports reviewed, the data in ILMS did not match the data shown by the inspection report. The

<sup>2</sup> Board Rules 18-21.008(1)(b)4 and 18-14.005(2), Florida Administrative Code.

ILMS errors related to the date of the last on-site inspection and whether the lessee was found to be in compliance.

Although the Department had modified its procedures to ensure that standard and extended term leases receive an on-site inspection every five years, improvements in procedures were still needed. Our audit disclosed that Department personnel were to use ILMS to generate monthly reports of all leases, including extended-term leases, to verify that each lessee had received an on-site inspection on or before the due date. However, the effectiveness of this procedure was limited because information was not being timely entered in ILMS, and ILMS entries were not being properly reviewed by supervisors to ensure accuracy of information related to the last inspection date, next inspection due date, and the lease site compliance status.

Absent the timely and accurate reporting and recording of on-site inspections, the Department is limited in its ability to monitor the inspection process to ensure inspections are performed every five years. Without timely on-site inspections, the risk is increased that noncompliance with applicable rules or the lease terms will escape detection and appropriate remedies.

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**Recommendation:** We recommend that the Department enhance its procedures to ensure that each submerged land lease receives an on-site inspection at least once every five years as required by Board rules, that information regarding on-site inspections is timely and accurately entered in ILMS, and that lessees found to be in noncompliance are timely notified.

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### Upland Leases

The Uplands Section was responsible for administering upland leases or similar instruments, including those involving commercial, noncommercial, and other uses of State uplands. Commercial upland leases include agricultural, oil, gas, mineral, and hunt camp leases. Noncommercial upland leases are agreements between the Department and other governmental entities and are to govern the use of both conservation<sup>3</sup> and nonconservation State lands. Under noncommercial lease agreements, the governmental entity becomes the land manager of the leased lands and is to develop for conservation lands, a land management plan designed to conserve and protect conservation lands and their associated natural resources, and for nonconservation lands, a land use plan to conform land use or uses to the appropriate policies and guidelines of the State land management plan.

State law requires each manager of conservation lands and each manager of nonconservation lands to submit to the Department a land management plan or a land use plan, as applicable, at least once every ten years.<sup>4</sup> The law also requires that land use plans include an analysis of the property to determine if any significant natural or cultural resources are located on the property. Such resources include archaeological and historic sites, State or Federally-listed plant and animal species, and imperiled natural communities and unique natural features. If such resources exist on the property, the plan is to describe in detail the management strategies to protect the resources. The plans are also to provide for the control of invasive nonnative plants and conservation of soil and water resources, including a description of how the manager plans to control and prevent soil erosion and soil and water contamination. In some instances, the plans are to include an analysis of the potential restoration of the lands.

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<sup>3</sup> “Conservation lands,” as defined by Section 253.034(2)(c), Florida Statutes, are lands that are currently managed for conservation, outdoor resource-based recreation, or archeological or historic preservation, except those lands that were acquired solely to facilitate the acquisitions of other conservation lands.

<sup>4</sup> Section 253.034(5), Florida Statutes.

Land management plans shall at a minimum contain a physical description of the land; a quantitative data description of the land which includes an inventory of forest and other natural resources, exotic and invasive plants, hydrological features, infrastructure, and other significant land, cultural, or historical features; a detailed description of each short-term and long-term land management goal, the associated measurable objectives, and the related activities that are to be performed to meet the land management objectives; and a schedule of land management activities which contains short-term and long-term land management goals and the related measurable objective and activities.

Florida law also requires that both land use and management plans contain information identifying those leased lands, if any, that are not being used for the purpose for which they were originally leased. Such information is to be used to develop for the Board recommendations as to whether to retain or dispose of the land.

Florida law requires the Department to review each plan for compliance with the requirements of the applicable laws and rules. The Department's Office of Environmental Services was assigned the responsibility to review the land management or use plans as a part of its monitoring of land manager compliance with applicable laws, rules, and lease requirements. Ultimately, Florida law requires that the plans, following the completion of all reviews, be submitted to the Board Trustees of the Internal Improvement Trust Fund for approval or rejection. Florida law also provides that the use or possession of State lands that is not in accordance with an approved land management plan is subject to termination by the Board.<sup>5</sup>

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**Finding No. 2: Upland Leases with Governmental Entities**

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In our report No. 2010-028, we reported that the Department had not implemented policies and procedures to reasonably ensure the timely receipt and review of land management and land use plans. We also reported that although the law was amended in 2003 to change the timeframe for submission of land management plans from every five years to every ten years and to require all managers of nonconservation lands to submit land use plans at least once every ten years,<sup>6</sup> the Department had not updated its policies and procedures accordingly. The prior audit disclosed that the submissions of 77 plans were past due and the Department had not prepared any correspondence to request the provision of the delinquent plans.

Our current audit disclosed that the Department had made revisions to its policies and procedures to reflect current law. However, notwithstanding Department efforts to obtain them, as of March 18, 2011, Department records indicated that plans had not been submitted to the Department for 137 of the 533 conservation land and 256 of the 896 nonconservation land leases for which plans were due. As of March 18, 2011, records indicated that the Department had provided three separate notifications requesting the overdue land use plans from the nonconservation land lessees and one notification to the conservation land lessees.

Absent timely receipt of the required land management and use plans, Department management lacks the ability to determine whether the planned use and management of the lands complies with applicable laws, rules, and lease terms.

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**Recommendation: We recommend that the Department continue its efforts to obtain delinquent land management and use plans. Following the exhaustion of all reasonable efforts to obtain the delinquent plans, the Department should consider requesting Board consideration of the termination of the leases granting the use of the applicable State lands.**

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<sup>5</sup> Section 253.034(5)(h), Florida Statutes.

<sup>6</sup> Sections 253.034(5) and 259.032(10), Florida Statutes.

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**Finding No. 3: Hunt Camp Leases**

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State law provides that the Department may impose reasonable conditions consistent with existing laws and rules on the owners of habitable structures (such as hunt camps) built on lands owned by the State or a water management district (District).<sup>7</sup> State law also provides that failure to comply with the conditions contained in the lease agreement makes the structure illegal and subject to removal. Department hunt camp lease agreements include provisions relating to exotic plant prohibitions, alterations and improvements, septic systems, damages to the premises, and maintenance of improvements. During the period July 2009 through February 2011, a total of 38 active hunt camp leases were in effect, with lease revenues totaling \$112,068.

In report No. 2010-028, we noted that the Department's procedures for inspections of hunt camp leases lacked established timeframes or, alternatively, a risk-based inspection schedule for the performance of on-site inspections. We further reported that the Department did not always timely conduct annual on-site inspections, follow up on areas of noncompliance disclosed during the inspections, or take appropriate steps to terminate the lease in the event noncompliance was not remedied.

Our current audit disclosed that a revised method for hunt camp inspections was established in 2010, whereby the Bureau of Surveying and Mapping (BSM) established a task force to visit all camp sites each year. BSM is responsible for preparing inspection reports and Asset Management staff in the Division are responsible for sending inspection violation letters. Hunt camp inspection procedures require that if violations are noted, the lessee must take corrective action within 60 days of notification and provide documentation to the Department of corrective actions completed.

Our review of the inspection process disclosed that the Department had established a Hunt Camp Database (Database) to assist in documenting the inspection process. The Database included the date of the inspection and the date of the next inspection. The Database information indicated that inspections were performed in May 2010, for all 38 active hunt camp leases; however, the Department lacked adequate documentation of the inspections. Specifically, our review of documentation maintained for hunt camp inspections disclosed the following:

- A written checklist was not utilized to document the inspection criteria applied and inspection results;
- Inspection reports were not dated and there was no identification of those who performed the inspection; and
- Supervisory review of the inspection reports was not documented.

Absent the use of an inspection hunt camp checklist to serve as a guide for inspections and to document the inspection results, the Department has limited assurance that the hunt camp inspections will consistently address all the compliance requirements set forth in the lease agreements.

The Department inspections, conducted in May 2010, identified violations and noncompliance at four hunt camps. The issues of noncompliance included improper raw sewage disposal, leaking oil and diesel fuel, large burn piles containing shingles and fiberglass, no current insurance certificates, and nonpayment of fees. Undated Department records indicated that the lessees for each of the four hunt camps verbally reported taking corrective action. However, the Department had not obtained documentation, such as photos or independent documentation of improvements and repairs, to verify that the violations were corrected, nor alternatively, had a follow-up inspection been performed. Subsequent to our audit inquiries, in June 2011, the Department issued inspection violation letters

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<sup>7</sup> Sections 253.03(7)(d) and (e), Florida Statutes.

for three of the four hunt camps, requesting that the hunt camp lessees provide photographs or other evidence to document that the violations had been properly resolved. For the remaining hunt camp lease, the Department indicated that the lessee could not be physically located. As a result, the Department indicated that it had been unable to deliver the inspection violation letter.

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**Recommendation:** We recommend that the Department amend hunt camp inspection procedures to include specific inspection criteria. In addition, we recommend that documentation of the date of the inspection, the inspector's name, communication of the noncompliance to the lessee, and supervisory review be maintained. We further recommend that the Department enhance efforts to ensure that inspection violation letters are timely sent, that adequate follow-up is conducted, and that leases are terminated when noncompliance issues are not timely addressed.

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### Billing and Collection of Lease Fees

The Recurring Revenue Section is responsible for invoicing and collecting revenues from land leases and easements. The Section is also to support the Department's District Office regulatory staff for issues related to fees and revenues from leases and easements.

#### **Finding No. 4: Basis for Assessed Fees**

Pursuant to State law, the Board may adopt rules to provide for the assessment and collection of reasonable fees, commensurate with the actual cost to the Board, for disclaimers, easements, exchanges, gifts, leases, releases, or sales of any interest in lands or any applications therefor and for reproduction of documents.<sup>8</sup> As similarly noted in our report No. 2010-028, our current audit disclosed that while the Board had adopted rules providing for the assessment and collection of fees related to leases and easements, the Department was unable to provide for our review documentation demonstrating that the current fee assessment amounts were reasonable and commensurate with the current actual cost of administering and managing the leases and easements. Department staff did provide for our review, a copy of its most recent cost analysis for administering and managing leases and easements. This analysis was prepared in 2005 and indicated that the actual cost of administering and managing leases and easements averaged approximately \$900 per lease or easement, whereas the average fees collected per lease or easement were approximately \$500. Department staff indicated that cost reduction efforts were currently being considered.

**Recommendation:** We again recommend that the Department conduct periodic analyses of the actual cost of administering and managing leases and easements to use as a basis for recommendations to the Board for changes in fee assessments.

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### OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational 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

<sup>8</sup> Section 253.03(11), Florida Statutes.

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.

This operational audit focused on follow-up on the findings included in our report No. 2010-028, Leases, Easements, and Other uses of State-Owned Lands. The overall objectives of the audit were:

- To evaluate the effectiveness of established internal controls in achieving management's control objectives in the categories of compliance with controlling laws, administrative rules, and other guidelines; the economic, efficient, and effective operation of State government; the validity and reliability of records and reports; and the safeguarding of assets.
- To evaluate management's performance in achieving compliance with controlling laws, administrative rules, and other guidelines; the economic, efficient, and effective operation of State government; the validity and reliability of records and reports; and the safeguarding of assets.
- To determine whether management had corrected, or was in the process of correcting, all deficiencies disclosed in our report No. 2010-028.
- To identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

In conducting our audit we:

- Tested the effectiveness of selected Department internal controls over leases, easements, and other uses of State-owned lands.
- Tested billings and collections related to 18 submerged land leases to determine whether the fees to use State-owned lands were in accordance with laws, administrative rules, and lease agreements.
- Tested 10 of 97 extended-term leases (leases with terms of more than five years) to determine whether the Department properly monitored lessee compliance with applicable laws, administrative rules, lease requirements, and other applicable guidelines.
- Analyzed ILMS lease inspection data for all 97 extended-term leases.
- Reviewed Department records to evaluate Department compliance with Board rules related to registered grandfathered structures.
- Reviewed Department records to determine the adequacy of Department efforts to ensure the timely receipt and review of land management and land use plans for State-owned lands.
- Reviewed Department inspection records related to 38 hunt camp leases to determine the adequacy of Department efforts to ensure lessee compliance with applicable laws, administrative rules, and lease requirements.
- Evaluated whether Department procedures reasonably ensured that uses of State-owned lands were limited to those authorized by law.
- Tested the effectiveness of relevant general and application controls for ILMS, the Submerged and Upland Public Revenue System (SUPRS), and the Upland and Asset Management Tracking System.

- Reviewed reconciliations of the SUPRS, the Finance and Accounting Cash Receiving Application (CRA), and the Florida Accounting Information Resource Subsystem (the State’s accounting system).
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Communicated on an interim basis with applicable Department officials to ensure the timely resolution of issues involving controls and noncompliance.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe those matters requiring corrective actions.

**AUTHORITY**

Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each State agency on a periodic basis. Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



David W. Martin, CPA  
Auditor General

**MANAGEMENT’S RESPONSE**

In a response letter dated October 7, 2011, the Secretary provided a response to our preliminary and tentative audit findings. The Secretary’s response is included as **EXHIBIT A**.

**EXHIBIT A**  
**MANAGEMENT'S RESPONSE**



**Florida Department of  
Environmental Protection**

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Rick Scott  
Governor

Jennifer Carroll  
Lt. Governor

Herschel T. Vinyard Jr.  
Secretary

October 7, 2011

Mr. David W. Martin  
Auditor General  
G-74 Claude Pepper Building  
111 West Madison Street  
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

Enclosed is the Department's response to the preliminary and tentative findings on the audit of the Department of Environmental Protection Prior Audit Follow-up, Leases, Easements, and Other Uses of State-Owned lands. Thank you for the opportunity to review and comment on this audit report. If you have questions or require additional information, please contact Valerie Peacock, Acting Director of Auditing, at (850) 245-3170.

Sincerely,

*Herschel T. Vinyard Jr.*  
Herschel T. Vinyard Jr.

Secretary

HTV/mh/s

Enclosures

cc: Erma Slager, Acting Deputy Secretary for Land and Recreation  
Clay Smallwood, Director, Division of State Lands  
Valerie Peacock, Director of Auditing

**EXHIBIT A**  
**MANAGEMENT'S RESPONSE (CONTINUED)**

**Department of Environmental Protection**  
**Response to Preliminary and Tentative Audit Findings**  
**Auditor General Audit**

**October 7, 2011**

**Leases, Easements and Other Uses of State-Owned Lands**

This operational audit of the Department of Environmental Protection (Department) focused on a determination of the status of the corrective actions taken with respect to the findings included in report No. 2010-028, Leases, Easements and Other Uses of State-Owned Lands. Those matters requiring continuing corrective action and the recommendation for the action are described below along with the Department's responses.

**Finding No. 1: Sovereignty Submerged Land Leases**

The Department lacked effective controls to ensure that all sovereignty submerged land leased sites were timely inspected, that adequate follow-up was performed on noted noncompliance, and that information regarding lease inspections was correctly entered into the Integrated Land Management System (ILMS).

**Recommendation:** We recommend that the Department enhance its procedures to ensure that each submerged land lease receives an on-site inspection at least once every five years as required by Board rules, that information regarding on-site inspections is timely and accurately entered into ILMS, and that lessees found to be in noncompliance are timely notified.

**Agency Response:**

The Division of State Lands (DSL) concurs with the finding and has taken steps to enhance procedures as recommended. DSL has made changes to ILMS to ensure that the extended term leases are captured and reported for timely inspections.

If the facility is deemed out of compliance with the terms and conditions of the lease, the district office is responsible for the notification and resolution of the compliance issues noted in the site inspection. Upon resolution of the compliance issue, the district office will notify DSL that the facility has been returned to compliance and ILMS will be updated.

An additional policy change relating to site inspections has also been implemented. When a facility is already under lease and the district office sends a delegation of authority (DOA) package to DSL for a modification to the leased premises, that facility is deemed to be in compliance with the terms and conditions of the lease. When a DOA is sent to be processed, the date of the DOA is entered in the inspection date field showing that the facility is in compliance.

**EXHIBIT A**  
**MANAGEMENT'S RESPONSE (CONTINUED)**

DSL expects these changes in procedures to enhance the integrity of the data that is captured in the ILMS database.

**Finding No. 2: Upland Leases with Governmental Entities**

The Department should continue its efforts to ensure the timely receipt and review of land management plans and land use plans.

**Recommendation:** We recommend that the Department continue its efforts to obtain delinquent management and use plans. Following the exhaustion of all reasonable efforts to obtain the delinquent plans, the Department should consider requesting Board consideration of the termination of the leases granting the use of the applicable State lands.

**Agency Response:**

DSL concurs with the recommendation and will continue to take efforts to ensure timely receipt of land management and use plans.

Due to staff turnover and reductions, a single staff member will assume reviewing all plans for these 1,548 leases for compliance, while one administrative staff member provides correspondence control for compliance efforts. Both of these staff members will process the ongoing timely submittal of land management and use plans, while also focusing on obtaining overdue plans.

A policy has been adopted, in which the DSL will consider requesting the Board entertain termination of the leases when leaseholders are deemed non-compliant after all reasonable efforts to obtain delinquent management and/or use plans have been exhausted.

DSL has continued to make progress since the audit follow-up began. While overall compliance percentages for plans has remained at approximately 75 percent, DSL has received 5 conservation land management plans that were overdue, and has verified an "in process with new due date" status of another 65 of the remaining 132 overdue plans. The DSL has also received 21 non-conservation land use plans that were overdue, and has secured an "in process with new due date" status for another 116 of the remaining 235 overdue plans.

**Finding No. 3: Hunt Camp Leases**

The Department should establish written procedures for the inspection of leased hunt camp sites.

**Recommendation:** We recommend that the Department amend hunt camp inspection procedures to include specific inspection criteria. In addition, we recommend that documentation of the date of the inspection, the inspector's name, communication of the noncompliance to the lessee, and supervisory review be maintained. We further recommend that the Department enhance efforts to ensure that inspection violation letters are timely sent, that adequate follow-up is conducted, and that leases are terminated when noncompliance issues are not timely addressed.

**EXHIBIT A**  
**MANAGEMENT'S RESPONSE (CONTINUED)**

**Agency Response:**

DSL concurs with the recommendation. An Inspection Report Form has been developed with specific areas to be inspected. The form includes the date of the inspection and the inspector's name, as well as other pertinent information. The new inspection process was implemented in 2010 and in 2011, a new tracking database and inspection report were added. With these new tools in place, non-compliance letters are sent within 15 -30 days after the inspection. Staff will continue to look for ways to improve the process in order to ensure that non-compliance issues are dealt with in a timely manner.

**Finding No. 4: Basis for Assessed Fees**

The Department had not documented that the current authorized fee assessment amounts were reasonable and commensurate with the Department's actual cost of administering and managing leases and easements.

**Recommendation:** We again recommend that the Department conduct periodic analyses of the actual cost of administering and managing leases and easements to use as a basis for recommendations to the Board of changes in fee assessments.

**Agency Response:**

DSL agrees with the recommendation that periodic analysis of the cost of the program should be conducted to ensure fees are reasonable and commensurate with program costs. However, there has been no appreciable change since the last application fee rate increase in 2005. The economic decline for the past few years has reduced the likelihood of obtaining approval for fee increases. Therefore, conducting the analysis would not serve as a means to justify a fee adjustment. As an alternative, DSL continues to streamline processes and reduce staff time, thereby lowering the cost of administering and managing leases and easements.