

## EXECUTIVE DIGEST

### ***MICHIGAN NATURAL RESOURCES MAGAZINE***

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#### INTRODUCTION

This report, issued in January 2000, contains the results of our performance audit\* of the *Michigan Natural Resources Magazine*, Department of Natural Resources (DNR).

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#### AUDIT PURPOSE

This performance audit was conducted as a part of the constitutional responsibility of the Office of the Auditor General. Performance audits are conducted on a priority basis related to the potential for improving effectiveness\* and efficiency\*.

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#### BACKGROUND

The Magazine was first published as an employee newspaper in 1931. It adopted a magazine format in 1949 and subscriptions were solicited to offset publication costs. Act 133, P.A. 1971, first required the Magazine to become fully self-supporting. In addition to subscription revenue, the Magazine relied on the sale of related merchandise (books, sweatshirts, etc.) to offset its costs. Paid advertising was not permitted in the Magazine while it was published by DNR.

Act 107, P.A. 1979, provided for the creation of a fund for the Magazine. Prior to this, the activities of the Magazine had been contained in the General Fund.

In 1990, a report of management options for the Magazine was presented to DNR administration. The report contained five options for the Magazine:

1. Privatization, to include paid advertising (with State editorial and advertising control).
2. Outright sale (with no oversight or control).
3. Continued operations by DNR under a three-year management plan.
4. Establishment of the Magazine as an authority (with more autonomy).
5. Subsidization of Magazine personnel costs with other State funds.

DNR selected the first option (privatization) and in April 1993 accepted the bid of Kolka & Robb, Inc., to publish the Magazine. The bid was \$875,000 plus a percentage of advertising and subscription revenue for a seven-year contract, beginning June 1, 1993. The September/October 1993 issue of the Magazine was the first published by Kolka & Robb, Inc.

In January 1996, DNR approved a retroactive change in the contract that excused Kolka & Robb, Inc., from making 14 consecutive payments to the State from May 1995 through June 1996. Also, the contract was extended 3 1/2 years (from June 1, 2000 through December 31, 2003) while providing for the same total revenue to the State (\$875,000).

On July 9, 1999, DNR entered into a release and settlement agreement with the publisher to cease publication of the Magazine.

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AUDIT OBJECTIVES  
AND CONCLUSIONS

**Audit Objective:** To assess the economic viability of the Magazine.

**Conclusion:** We concluded that the economic viability of the Magazine is doubtful.

**Audit Objective:** To assess the effectiveness of DNR's administration of the Magazine contract.

**Conclusion:** We concluded that DNR's administration of the Magazine contract, over its duration, did not achieve the intended results. Our assessment disclosed a reportable condition\* regarding contract fulfillment (Finding 1).

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AUDIT SCOPE AND  
METHODOLOGY

Our audit scope was to examine the program and other records of the *Michigan Natural Resources Magazine*, Department of Natural Resources. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Our audit procedures included examinations of DNR's records and activities for the period June 1970 through April 1999.

We studied legislation, management plans, DNR correspondence, DNR internal audit reports and data, the Magazine's contract and contract change notices, and the

Magazine's financial and subscription data. We interviewed DNR staff as necessary.

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**AGENCY RESPONSES**

Our audit report includes 1 finding and corresponding recommendation. DNR agreed with the finding and recommendation.