



NICOLE GALLOWAY, CPA **Missouri State Auditor**

Honorable Michael L. Parson, Governor
and
Members of the General Assembly
and
Dru Buntin, Director
Department of Natural Resources
Jefferson City, Missouri

We completed audit work at the Department of Natural Resources (DNR) as part of our annual statewide audits of the state's financial statements and federal awards for the fiscal year ended June 30, 2020. We issued audit reports (Report Nos. 2021-006 and 2021-017) of the state's Comprehensive Annual Financial Report, in February and March 2021; and issued the Single Audit Report (Report No. 2021-024), in May 2021.¹ The purpose of this letter is to summarize and communicate to stakeholders, the audit work performed at the DNR during these audits and the audit results.

Statewide Audits and Methodology

We conducted the annual financial statement audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statement audit includes, among other things, expressing an opinion on whether the state's financial statements are fairly presented, in all material respects. The Office of Administration (OA) prepared the Comprehensive Annual Financial Report (financial statements) from various sources including the statewide accounting (SAM II) system and survey data received from state agencies and offices. The state's financial statements covered \$47 billion in total assets and \$31 billion in total expenses for fiscal year 2020. To satisfy our audit objectives, we evaluated and identified the accounts significant to each opinion unit within the state's financial statements and performed various audit procedures, including reviews of related internal controls for each of those accounts. For fiscal year 2020, our financial statement audit included work at the OA and 12 state agencies and offices.

We conducted the annual Single Audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Single Audit includes, among other things, expressing an opinion on whether the state complied with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each of its major federal programs. The state's Schedule of Expenditures of Federal Awards (SEFA), which did not include federal award expenditures of the public universities and other component units, reported the state expended more than \$17 billion in federal funds for 308 programs in fiscal year 2020. We performed risk assessments on

¹ Audit reports are available at: <<https://auditor.mo.gov/AuditReport/Menu>>.

each of the state's 31 Type A programs (programs with federal award expenditures more than \$30 million) and 24 larger Type B programs (programs with federal award expenditures between \$7.5 million and \$30 million) and audited (as major) each program assessed as high risk in accordance with the Uniform Guidance. For each major program, we performed various audit procedures, including testing and reviews of internal control over compliance requirements that could have a direct and material effect on the program. For fiscal year 2020, our Single Audit included 15 major federal programs with expenditures totaling \$12.6 billion, administered by 9 state agencies.

Financial Statement Audit Work at the DNR

For the DNR, we audited revenue activity of \$111 million, expenditure activity of \$35 million, and a loans receivable balance of \$1.4 billion for the Water & Wastewater Loan Revolving Fund; revenue activity of \$64 million and expenditure activity of \$63 million for the Water & Wastewater Loan Fund; expenditure activity of \$32 million for the Parks Sales Tax Fund; expenditure activity of \$50 million for the Soil and Water Sales Tax Fund; and a capital assets balance of \$149 million for the State Parks Earnings Fund. In addition, we audited accounts receivable balances totaling \$11 million for the Water Pollution Permit Fee Subaccount Fund, the Solid Waste Management Fund, and the DNR Protection - Air Pollution Permit Fee Fund.

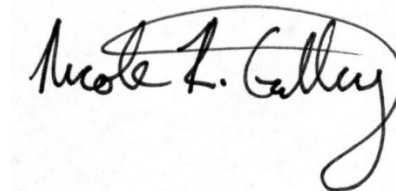
Single Audit Work at the DNR

The DNR reported federal award expenditures totaling \$104.1 million for fiscal year 2020. We audited, as major, the Clean Water State Revolving Fund Cluster with expenditures of \$55.8 million.

Audit Results and Findings at the DNR

Our responsibility for the statewide audits is limited to the previously stated objectives. The audit reports of the state's financial statements reported no material misstatements for the DNR. The Single Audit reported no material noncompliance with direct and material compliance requirements for the major program audited at the DNR.

We are required by the audit standards and single audit requirements to report as audit findings certain significant or material conditions such as weaknesses in internal control; noncompliance with provisions of laws, regulations, contracts, or grant agreements; fraud; and/or known or likely questioned costs greater than \$25,000. The reports issued reported no audit findings related to the audit procedures performed at the DNR.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor