



SCOTT FITZPATRICK
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 of Missouri's financial statements and federal awards for the fiscal year ended June 30, 2022. We issued audit reports (Report Nos. 2023-010 and 2023-022) of the state's Annual Comprehensive Financial Report, in March and May 2023; and issued the Single Audit Report (Report No. 2023-030), in July 2023.¹ 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 Annual Comprehensive 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 \$57 billion in total assets and \$34 billion in total expenses for fiscal year 2022. 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 internal controls for each of those accounts. For fiscal year 2022, our financial statement audit included work at the OA and 14 other state agencies and offices. To avoid the appearance of a conflict of interest, the State Auditor recused himself from participation in the financial statement audit because he managed various cash and investment balances in his role as State Treasurer as of June 30, 2022. He directed the Audit Director to oversee procedures performed by the State Auditor's professional audit staff.

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

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

award expenditures of the public universities and other component units, reported the state expended \$18.4 billion in federal funds for 311 programs in fiscal year 2022. We performed risk assessments on each of the state's 40 Type A programs (programs with federal award expenditures more than \$30 million) and 26 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 2022, our Single Audit included 19 major federal programs with expenditures totaling \$13.9 billion, administered by 7 state agencies.

Financial Statement Audit Work at the DNR

For the DNR, we audited \$114 million in revenue activity, \$53 million in expenditure activity, and a loans receivable balance of \$1.4 billion for the Water & Wastewater Loan Revolving Fund; \$67 million in revenue activity and \$66 million in expenditure activity for the Water & Wastewater Loan Fund; \$33 million in expenditure activity for the Parks Sales Tax Fund; \$48 million in expenditure activity for the Soil and Water Sales Tax Fund; and a capital assets balance of \$155 million for the State Parks Earnings Fund.

Single Audit Work at the DNR

The DNR reported federal award expenditures totaling \$106 million for fiscal year 2022. No programs at the DNR were assessed as high risk; therefore, no programs were audited as major. We performed limited audit procedures related to risk assessments and the SEFA.

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 issues related to the limited work performed 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.

We reported an audit finding related to the DNR's internal controls over financial reporting.

- Department of Natural Resources Financial Reporting Controls (Finding No. FS2022-005) - The DNR did not have adequate controls and procedures over financial reporting of loans receivable. As a result, the loans receivable balance submitted to the OA for inclusion in the financial statements for the year ended June 30, 2022, was misstated. If the misstatement had not been identified during the audit, the Government Wide - Governmental Activities and Conservation and Environmental Protection Fund loans receivable balance would have been overstated by approximately \$27.5 million in the financial statements.

The audit finding and the DNR's response are included in our Annual Comprehensive Financial Report - Report on Internal Control, Compliance, and Other Matters (Report No. 2023-022) and the DNR's Corrective Action Plan is included in the Single Audit Report (Report No. 2023-030).

A handwritten signature in black ink that reads "Kim Spraggs". The signature is written in a cursive, flowing style.

Kim Spraggs, CPA, CGAP
Director of Audits