



Michigan
Office of the Auditor General
REPORT SUMMARY

Financial Audit

Including the Provisions of the Single Audit Act

Report Number:
751-0100-12

Department of Natural Resources

October 1, 2009 through September 30, 2011

Released:
June 2012

A single audit is designed to meet the needs of all financial report users, including an entity's federal grantor agencies. The audit determines if the financial statements and/or financial schedules are fairly presented; considers internal control over financial reporting and internal control over federal program compliance; determines compliance with requirements material to the financial statements and/or financial schedules; and assesses compliance with direct and material requirements of the major federal programs.

Financial Statements and Financial Schedules:

Auditor's Reports Issued

We issued unqualified opinions on the Department of Natural Resources' (DNR's) financial statements and financial schedules.

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Internal Control Over Financial Reporting

We identified a material weakness in internal control over financial reporting (Finding 1). We also identified a significant deficiency in internal control over financial reporting (Finding 2).

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Noncompliance and Other Matters Material to the Financial Statements and/or Financial Schedules

We did not identify any instances of noncompliance or other matters applicable to the financial statements and financial schedules that are required to be reported under *Government Auditing Standards*. However, we did identify other noncompliance (Findings 1 and 2).

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Federal Awards:

Auditor's Reports Issued on Compliance

We audited 7 programs (including 1 American Recovery and Reinvestment Act [ARRA] related program) as major programs and reported known questioned costs of \$177,112. DNR expended a total of \$95.0 million in federal awards, including \$3.1 million of ARRA funding, during the two-year period ended September 30, 2011. We issued 7 unqualified opinions. The opinions issued by major program are identified on the back of this summary.

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Internal Control Over Major Programs

We identified significant deficiencies in internal control over major federal program compliance (Findings 3 through 8). We also identified two recommendations repeated from our prior report for the two-year period ended September 30, 2009 (Findings 3 and 6).

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Required Reporting of Noncompliance

We identified instances of noncompliance that are required to be reported in

accordance with U.S. Office of Management and Budget (OMB) Circular A-133 (Findings 3 through 6 and Finding 8).

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Internal Accounting and Administrative Control System:

Section 18.1489 of the *Michigan Compiled Laws* requires the Auditor General to evaluate the implementation of Sections 18.1483 - 18.1488 of the *Michigan Compiled Laws* and report to the Legislature in the financial audit of each department. As a result of Executive Reorganization Order No. 2007-31 (Consolidating Internal Audit Functions), in which responsibility for most of the sections was moved to the Office of Internal Audit Services, State Budget Office, we have evaluated the implementation of

only Section 18.1485 in this financial audit. Section 18.1485 requires each department director to establish an internal accounting and administrative control system, defines the elements of that system, defines the duties of the department director, and provides for certain reports. We determined that DNR was in substantial compliance with Section 18.1485 of the *Michigan Compiled Laws*.

The remaining sections (Sections 18.1483, 18.1484, and 18.1486 - 18.1488 of the *Michigan Compiled Laws*) will be evaluated and reported on in the performance audit of the Office of Internal Audit Services, State Budget Office.

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We audited the following programs as major programs:

<i>CFDA Number</i>	<i>Program or Cluster Title</i>	<i>Compliance Opinion</i>
10.664	Cooperative Forestry Assistance	Unqualified
10.688	ARRA - Recovery Act of 2009: Wildland Fire Management	Unqualified
15.605, 15.611, and 15.626	Fish and Wildlife Cluster	Unqualified
15.614	Coastal Wetlands Planning, Protection and Restoration Act	Unqualified
15.916	Outdoor Recreation - Acquisition, Development and Planning	Unqualified
20.219	Recreational Trails Program	Unqualified
97.012	Boating Safety Financial Assistance	Unqualified

A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: <http://audgen.michigan.gov>



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