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INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES

REGION L  
ST. LOUIS-JEFFERSON SOLID WASTE  
MANAGEMENT DISTRICT  
ST. LOUIS, MISSOURI

FOR THE PERIOD JANUARY 1, 2005 THROUGH  
DECEMBER 31, 2006

MCBRIDE, LOCK & ASSOCIATES  
CERTIFIED PUBLIC ACCOUNTANTS  
KANSAS CITY, MISSOURI

REGION L  
ST. LOUIS-JEFFERSON  
SOLID WASTE MANAGEMENT DISTRICT  
ST. LOUIS, MISSOURI

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REGION L  
ST. LOUIS-JEFFERSON SOLID WASTE  
MANAGEMENT DISTRICT

History and Organization

Missouri's 20 solid waste management districts were created to foster regional cooperation among cities and counties in addressing solid waste management issues. The main function of a district is to develop a solid waste management plan with an emphasis on diverting waste from landfills and to assist with implementation of the plan. Plans should include provisions for a range of solid waste activities: waste reduction programs; opportunities for material reuse; recycling collection and processing services; compost facilities and other yard waste collection options; education in schools and for the general public; management alternatives for items banned from Missouri landfills and household hazardous waste; and preventive or remediation of illegal dumps. To help achieve their goals, districts administer grants to public and private entities within their district, made possible with monies from the Solid Waste Management Fund through the Missouri Department of Natural Resources (MDNR).

The St. Louis-Jefferson Solid Waste Management District was formed in Region L, pursuant to Revised Missouri Statutes (RSMo), 260.305 and was officially recognized by the MDNR in January 1992. In April 2001 the MDNR officially recognized the inclusion of St. Charles County as a part of Solid Waste Regional Grouping L. The District includes the City of St. Louis and the counties of Jefferson, St. Louis, and St. Charles and their participating cities with a population of 500 or more. Participation in the District is voluntary and is formally established through a resolution of adoption filed with the District office by the member governments. The purpose is to develop and improve efforts to reduce the amount of solid waste generated and disposed of in a three county region, which includes the city of St. Louis, located in East-Central Missouri and to meet the goals set out in RSMo Chapter 260. The District will make recommendations and suggestions relating to solid waste collection, storage, transportation, remanufacture and disposal. The District also intends to promote local problem solving and autonomy in solid waste management systems.

The District is comprised of an executive director and three employees. Region L has adopted an alternative management structure governed by an Executive Board comprised of four members from the County of St. Louis, three members from the City of St. Louis, two members from the County of Jefferson and two members from the County of St. Charles. Executive Board members are appointed for a term of four years in office.

The governing body of the St. Louis-Jefferson Solid Waste Management District is the Executive Board elected by the eleven members of the District, which include:

- St. Louis County, Robert Wagner
- St. Louis County, Kenneth D. Yost
- St. Louis County, Janet Williams
- St. Louis County, Robert Conner
- City of St. Louis, Linda Primer
- City of St. Louis, Jean Ponzi
- City of St. Louis, Pat Eby
- Jefferson County, Jerry Brown
- Jefferson County, Kara Dunnam
- St. Charles County, Mike Duvall
- St. Charles County, Wendy Prakop

McBRIDE, LOCK & ASSOCIATES

INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED UPON PROCEDURES

Missouri Department of Natural Resources  
and  
Region L – St. Louis-Jefferson Solid Waste  
Management District  
St. Louis, Missouri

We have performed the procedures enumerated below, which were agreed to by the Missouri Department of Natural Resources (MDNR), solely to assist you in evaluating the effectiveness of the Region L – St. Louis-Jefferson Solid Waste Management District's compliance with state law, regulations, and policies, for the period January 1, 2005 through December 31, 2006. Management is responsible for the district's internal control over compliance with these requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the *American Institute of Certified Public Accountants* and the *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

Our procedures, as set forth in the MDNR Solid Waste Management District *Agreed-Upon Procedures Engagement*, and findings are as follows:

1. **History and Organization.** We reviewed the history and organization of the District for compliance with the Revised Statutes of Missouri (RSMo). This included review of the:
  - District organization;
  - Council and Executive Board structure, terms and functions, including if the district was organized under an alternative management structure;
  - Policies and procedures for monitoring members of the Executive Board and Council; and
  - District by-laws.

**Findings:** See Finding Nos. 2 and 13.

2. **Minutes of Meetings.** We reviewed all minutes of meetings for the Executive Board for the engagement period and selected six meetings and completed Attachment 1 *The Missouri Sunshine Law Compliance Checklist* to determine if meetings are documented as required.

**Findings:** None.

3. **Follow-up to Prior Audit.** We determined what actions the staff has taken to correct the findings, including the status and corrective action.

**Findings:** See Finding Nos. 2, 3, 9, 10, 19, 22 and 23.

4. **Follow-up to Missouri State Auditors Office (SAO) Report.** We performed follow-up review on the Missouri State Auditors Office (SAO) Report on the Solid Waste Management Program, dated February 2006. Specifically, the following procedures were performed:

- We reviewed the correspondence and Audit Resolution Plan between MDNR and the District;
- We scanned the accounting records and reviewed invoice and payment documentation for any unnecessary or inappropriate expenditures;
- We reviewed the St. Louis-Jefferson Solid Waste Management District Agreed-Upon Procedures Report regarding lobbying expenditures and;
  - Determined whether a contract exists for all District lobbying services,
  - Listed all 2006 lobbying expenditures, and
  - Determined the source of revenue that covered the lobbying expenditures.
- Determined how the District has or plans to reallocate unused grant funds to solid waste management efforts.

**Findings:** See Finding Nos. 4, 5, 6, 7, 8 and 21.

5. **Internal Controls.** We completed Attachment 2 *Internal Control Questionnaire* which identifies strengths and weaknesses of the internal controls.

**Findings:** See Finding No. 11.

6. **Cash.** We obtained a listing of all bank account names and numbers of the district and performed the following:

- Verified the bank reconciliation process;
- Confirmed with MDNR advanced funds for deposit;
- Evaluated control, custody and signing of check stock;

- Analyzed 10 payroll checks;
- Reviewed local funds;
- Reconciled year-end cash balances by type, state, local, etc., to amounts reported to MDNR;
- Verified the allocation and use of interest income; and
- Reviewed the district's cash management practices.

**Findings:** See Finding Nos. 1 and 4.

7. **Administrative/Management Services.** We determined that the district contracts out payroll services, and:

- Determined that contract terms are written and properly approved,
- Reviewed contract for propriety and reasonableness, and
- Reviewed invoices and supporting documentation to determine that payments for services are appropriate, properly approved, and in compliance with the contract terms.

**Findings:** See Finding No. 3.

8. **General and Special Terms and Conditions.** We documented the district's compliance with general and special terms and conditions of the financial assistance agreement with MDNR for the following requirements:

- Non-Discrimination;
- Environmental Laws and Eligibility;
- Hatch Act and Restrictions of Lobbying;
- Program Income;
- Equipment Management;
- Prior Approval for Publications;
- Audit Requirements;
- Recycled Paper; and
- Contracting with Small and Minority Firms.

**Findings:** See Findings Nos. 9, 10, 12 and 20.

9. **Planning Organizational Grant.** We reviewed the expenditures of carryover FY 2004 planning organization grant funds for proper close-out of the grant. (These funds were discontinued in FY 2005.)

**Findings:** See Finding No. 4.

10. **District Grants.** We obtained a schedule of district grants from the MDNR and completed the *Guidance Document for Solid Waste Management District Grants*. This included the review, evaluation and testing for the:

- Proposal Procurement Process;
- Proposal Review and Evaluation; and
- Awarded Projects.
  - Missouri Botanical Garden – plastic pot recycling, 2004069
  - Missouri Botanical Garden – recycling education, 2004060
  - Missouri Botanical Garden - recycling audience expansion, 2005032
  - Missouri Botanical Garden – plastic pot recycling, 2005038
  - Missouri Botanical Garden – recycling education, 2006005
  - Missouri Botanical Garden – plastic pot recycling, 2006034
  - Missouri Botanical Garden -- televised HHW education, 2006082
  - Recycling Concepts Inc. – recycling expansion, 2005056
  - St. Louis Brewery Inc. -- spent grain compost, 2005062
  - City of St. Louis Refuse Division – cost-shared curbside recycling service, 2005043
  - City of St. Louis Refuse Division -- cost-shared curbside recycling service, 2004048
  - QRS Inc. – purchase of a sorting system, 2005046
  - Remains Inc. – purchase of textile shredders, 2004054
  - Region L Technical Assistance Project, 2005010
  - Region L Technical Assistance Project, 2004039

**Findings:** See Finding Nos. 14, 15, 16, 17, 18, 19, 21, 22, 23 and 24.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the District's internal control over compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Department of Natural Resources of the State of Missouri and the Region L – St. Louis-Jefferson Solid Waste Management District and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

*McBride, Lock & Associates*

McBride, Lock & Associates  
 Certified Public Accountants

April 5, 2007

**REGION L  
ST. LOUIS-JEFFERSON SOLID WASTE MANAGEMENT DISTRICT  
ST. LOUIS, MISSOURI**

Schedule of Findings and Questioned Costs  
For the Two Fiscal Years Ended December 31, 2006

The findings were discussed with the District at an exit conference held April 5, 2007 and the District provided a written response for each finding at a later date. We have included excerpts of the District response for each finding and the District's full written response, in its entirety, is included as schedule VI to the report.

Additionally, for the project numbers mentioned in a finding, except for Finding No. 2, the recipient and purpose of the grant can be found on page 6.

**1. Unprotected Cash Balance**

**Condition** – The District checking account cash balance exceeded the \$100,000 coverage provided by the National Credit Union Administration in 21 out of 24 months reviewed for at least one day. Additionally, the District checking account cash balance exceeded the \$100,000 for at least half of the month in 11 out of 24 months reviewed leaving the remaining balance as a potential loss to the District.

**Criteria** – MDNR General Terms and Conditions I.E.3. states, “Effective control and accountability must be maintained for all recipient cash, real and personal property, and other assets. Recipients must adequately safeguard all such property and must assure that it is used solely for authorized purposes.”

**Effect** – Cash balances over \$100,000 are unprotected to potential loss.

**Cause** – The District was unaware of the criteria requirement.

**Recommendation** – We recommend the District be required to request that the bank pledge collateral on its collective cash balance in excess of \$100,000.

**District Response** – The District has established a second checking account with Commerce Bank to use when funds in the first checking account exceed \$100,000.

**2. Conflict of Interest – Grant Proposals**

**Condition** – The audit noted one executive board member involved in ranking and voting on grant proposals who is an employee of Missouri Botanical Garden, the recipient of District grant funds for project numbers 2005038, 2006034 and 2006082. Additionally, the audit noted one executive board member, representing Jefferson County, who abstained from voting on proposed project numbers 2006014 and

2005051 submitted by Jefferson County, however, this executive board member was involved in ranking the proposals. Furthermore, the audit noted one executive board member who abstained from voting on proposed project number 2006037 submitted by the City of O'Fallon, however, this executive board member was involved in ranking the proposal.

As of December 31, 2006, the District has not implemented a formal policy regarding conflict of interest. The District has not required executive board members to sign a conflict of interest statement annually to ensure that executive board members are aware of potential conflict of interest issues related to ranking and approving grant proposals.

A similar issue was noted in prior audit finding 11, which is included as a Schedule to the report.

**Criteria** - MDNR General Terms and Conditions, I.Q. states, "No party to this subgrant, shall participate in any decision related to such subgrant which could result in a real or apparent conflict of interest, including any decision which would affect their personal or pecuniary interest, directly or indirectly."

Additionally, RSMo section 260.320.5 states, "No person shall serve as a member of the council or of the executive board who is a stockholder, officer, agent, attorney or employee or who is in any way pecuniarily interested in any business which engages in any aspect of solid waste management regulated under sections 260.200 to 260.345; provided, however, that such member may own stock in a publicly traded corporation which may be involved in waste management as long as such holdings are not substantial."

Furthermore, the Missouri Code of State Regulations (CSR) at 10 CSR 80-9.050(1)(C)4 states, "District grant funds will not be awarded for a project whose applicant is directly involved in the evaluation and ranking of that particular project."

**Effect** - Any conflict of interest, actual or in appearance, may cause significant cost disallowances or future loss of funding.

**Cause** - The District has not implemented adequate policies and procedures to ensure that executive board members are aware of any actual or apparent conflict of interest issues.

**Recommendation** - We recommend that the District be required to develop a formal conflict of interest policy setting out guidelines to executive board members and grant evaluators and that these policies be updated and approved by the executive board annually.

**District Response** - The District stated in part "There are no material conflicts of interest in any of these instances. The Executive Board member representing Jefferson County experienced no personal gain from the grants mentioned, which provided resource materials for school recycling programs in Jefferson County. The Executive Board member representing St. Charles County does not work for the City of

O'Fallon, and has no material conflict of issue with any grants to O'Fallon. Finally, the Executive Board member representing the City of St. Louis had no material interest in the grant to the Missouri Botanical Garden. The project had nothing to do with her division within the Garden. A response from the Executive Board member representing the City of St. Louis is attached at Schedule VIII. Each of these board members could have voted for those proposals. There was no material conflict of interest.”

“The board is moving to a higher standard, and will seek to avoid even an appearance of conflict in the future. Board members will not rank or vote for proposals that could have an appearance of conflict, even though there is no actual material conflict of interest.”

“The executive board adopted a Conflict of Interest policy in 2003, which has been provided. Individual statements were approved at the March 20, 2007 executive board meeting. These have been signed by board members and staff, and will be updated annually.”

**Comment** -- We have considered the District Response and have determined that it is not a question of whether the conflict of interest is material or not, but even an appearance of a conflict of interest should be avoided.

### 3. **Conflict of Interest – Payroll Service Contract**

**Condition** – The District has contracted out payroll services and implemented the employment polices and procedures of the Missouri Botanical Garden. This contractual relationship bears the appearance of being less than an arms length transaction and a potential conflict of interest issue due to grant funds being received by Missouri Botanical Garden from the District in 2006 and 2005. Additionally, the District states in the Executive Board Minutes that three organizations were approached in regard to payroll services and a comparison was made between the three, however, this discussion and approval of the payroll services contract contained in the board minutes was the only documentation the District was able to provide as evidence of this comparison between providers. The District incurred payroll expenditures of approximately \$11,286 and \$11,061 in 2006 and 2005 respectively.

A similar issue was noted in Prior Audit Finding 5 which is included as a schedule to the report.

**Criteria** – RSMo Chapter 34 and 1 CSR 40-1 specify the State’s procurement policies. The State’s bidding requirements are: If the purchase was less than \$3,000 bids are not required. If the purchase was between \$3,000 and \$25,000 a minimum of three competitive bids are required, but do not need to be advertised. If the purchase was greater than \$25,000 a minimum of three competitive bids and advertising is required.

Additionally, MDNR General Terms and Conditions, I.P. states, “Allowability of costs shall be determined in accordance with cost principles contained in OMB Circular No. A-87 for state and local governments...”. The Office of Management and Budget

(OMB) Circular No. A-87 states, "...costs must meet the following general criteria: a. Be necessary and reasonable for proper and efficient performances and administration of Federal (State) awards." This Circular also states, "A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when governmental units or components are predominately federally (state) funded. In determining reasonableness of a given cost, consideration shall be given to: ...b. The restraints or requirements imposed by such factors as: sound business practices; arms length bargaining..."

**Effect** -- Failure of the District to document bidding on payroll services as required brings up the question whether this contract is an arms length transaction and gives the appearance of a conflict of interest between Missouri Botanical Garden and the District due to grant funds being received by the subgrantee in 2006 and 2005.

**Cause** -- The District did not maintain bid documentation to support the decision to contract payroll services to Missouri Botanical Garden.

**Recommendation** -- We recommend that the District be required to maintain critical bid documentation to support all contractual relationships that exist between the District and a third party and to support expenditures related to these contracts.

**District Response** -- The District stated in part, "In the St. Louis region, the District was formed through the efforts of St. Louis County, and the county was the original administrative host. Hosting continued for about eight years, including payroll, benefits, housing, etc. Eventually, however, the County needed the space it had been providing, and the District lost the administrative services and free office space that had been donated by St. Louis County for many years. The District needed payroll and benefit services for the staff employed directly by the District, and the District was not seeking an entity to provide general administrative services. This was also a situation of seeking an organization that would be willing to provide this service. The District approached three organizations that were regional in nature, not political jurisdictions. These organizations were the East-West Gateway Coordinating Council, University of Missouri, and the Missouri Botanical Garden. The analysis included both costs and willingness, and the Botanical Garden was the best choice in both regards. This was a simple business decision, using a competitive process that accommodated these unique professional circumstances and the process was documented in the minutes."

"There are no material conflict of interest issues. Garden education and recycling programs that had been funded by the District were active prior to the payroll and benefits services, and the status did not change afterwards. Additionally, the District

also factored the tremendous and impeccable international reputation of the Missouri Botanical Garden as a strong reason for undertaking the business association.”

“District staff and executive board members have never been approached by anyone from the Garden regarding any grant proposal. The District would not tolerate that kind of interference, and the executive board has adopted conflict of interest, whistleblower and code of ethics policies.”

**Comment** – We have considered the District Response and have determined that it is not a question of whether the conflict of interest is material or not, but even an appearance of a conflict of interest should be avoided.

#### 4. **District Fund Balances**

**Condition** – Review of District fund balances noted that, as of December 31, 2006, the District maintained a balance of approximately \$213,121 in its Administrative Grant Fund account and \$112,673 in its Interest Income account. Additionally, the District has \$201,604 of unallocated funds for grants dating back as far as 1995. As of December 31, 2006, these funds have not been used for waste reduction and recycling projects. See Schedule IX and Schedule X for the composition of the cash balance as of December 31, 2006.

**Criteria** – The MDNR and the District signed an Audit Resolution Plan on September 6, 2006 to resolve the findings in the Missouri State Auditor’s report released February 2006. The agreement stated “The Department and District agree to implement the recommendations of the Missouri State Auditor’s report released February 2006. The state auditor’s report included recommendations about...large balance of administrative funds and interest income...” The Missouri State Auditor’s report recommended “the DNR, through the Solid Waste Management Program, monitor the fund balances held by districts and reallocate unused grant funds in accordance with state rules and regulations. In addition, the SWMP should adopt rules and regulations limiting the amount of administrative and interest funds accumulated by the districts.”

**Effect** – The District is at risk for future loss or delay of funding when it accumulates excessive unspent administrative and interest funds.

**Cause** – Interest and administrative funds have been allowed to build by the District and have not been used for waste reduction and recycling projects.

**Recommendation** – We recommend that the District be required to monitor the fund balances held by the District and reallocate unused grant funds for waste reduction and recycling projects in accordance with state rules and regulations. Additionally, the District should adopt policies and procedures limiting the amount of administrative and interest funds accumulated by the District.

**District Response** – The District stated “The District executive board allocated the administrative fund balance with the 2007 District grant awards on March 20, 2007.

This information was submitted by the District to DNR in March 2007, and was approved on April 23, 2007. That action addresses this issue.”

**Comment** – The District addressed the fund balances noted as of December 31, 2006. However, the District Response did not address any modification to policies and procedures to ensure future fund balances are adequately monitored and timely reallocated for waste reduction and recycling projects in accordance with state rules and regulations.

5. **District Administrative Expenditures for Food and Travel**

**Questioned Costs: \$10,950**

**Condition** – The District incurred administrative expenditures for food and travel in the aggregate amount of \$10,950 in 2006 and 2005 which appear to be unnecessary and inappropriate uses of public funds. Most of the food and travel expenditures were made on the District’s American Express credit card that is in the possession of the executive director. Additionally, we noted an instance in which the executive director charged family travel expenditures to the credit card. These expenditures were later reimbursed to the District. Furthermore, some of the costs may have been previously withheld from the District as a result of the Missouri State Auditor’s report released in February 2006, in which \$782 for gifts, meals and memorial donations for board members and employees for the years ended June 30, 2005, 2004 and 2003 were questioned. See Schedule II for a listing of questionable food and travel expenditures.

**Criteria-** MDNR General Terms and Conditions, I.P. states, “Allowability of costs shall be determined in accordance with cost principles contained in OMB Circular No. A-87 for state and local governments...” OMB Circular No. A-87 states, “...costs must meet the following general criteria: a. Be necessary and reasonable for proper and efficient performances and administration of Federal (State) awards.” This Circular also states, “A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.”

Additionally, the MDNR and the District signed an Audit Resolution Plan on September 6, 2006 to resolve the findings in the Missouri State Auditor’s report released February 2006. The agreement stated “The Department and District agree to implement the recommendations of the Missouri State Auditor’s report released February 2006. The state auditor’s report included recommendations about unnecessary and inappropriate administrative expenditures,... No state grant funds, local match funds, or interest earned will be used for unnecessary or inappropriate expenses. The Department will withhold funds from District allocations, for costs found to be unnecessary or inappropriate. Such costs include...meals for employees and board members at non-working meetings.”

Furthermore, MDNR Special Terms and Conditions state, “Districts are responsible for ensuring proper use of the funds. District will repay the amount of any improperly expended funds to the MDNR for deposit into the SWMF.”

**Effect** – The District is at risk to reimburse MDNR for any improperly expended funds.

**Cause** – It appears that the District believes that these expenditures are necessary and appropriate for reducing solid waste and expanding recycling activities.

**Recommendation** – We recommend that the District be required to monitor District expenditures to help ensure that the District is not making unnecessary and inappropriate purchases, and seek reimbursement for any improperly expended funds. Additionally, the District should adopt policies for food and travel and usage of the District credit card. The audit questions unnecessary and inappropriate expenditures for food and travel for the two years under review in the amount of \$10,950. During the audit resolution process, any duplication of questioned costs between this report and the Missouri State Auditor’s report should be determined and addressed.

**District Response** – The District disagreed with the finding and recommendation. The District stated in part, “One high ranking DNR staff person recently stated that the District could not do what it is supposed to do if it didn’t provide food. The District is charged to foster collaboration and partnerships, educate, provide technical assistance, etc. Marketing and promotion of recycling are primary purposes of the District. Our job is to persuade and assist in getting people to do things that they are not required to do. In almost 15 years of experience, the District has found food to be highly effective tool to use to help educate, promote and assist in growing the recycling industry. The District does not provide baseball tickets, liquor, etc. Food is the least expensive tool for marketing and promotion. The District spends less than 1 percent of its operating budget for these costs, well within accepted outlays for organizations with significant marketing, promotional, educational components to their mission.”

“Generally, food is provided for group meetings, when meetings with volunteers who donate time and resources to expand recycling, when meeting with volunteer board members, when meeting with those of limited means who are providing professional services to expand recycling, and meeting with individuals who may be potential grant applicants. Food is not provided at every meeting. District staff are out in the community as much as possible to promote education and assist in the expansion of recycling. These minor expenditures are incidental to the District education, outreach and technical assistance efforts. Additionally, DNR has already withheld \$782 from the District for costs included in this comment.”

6. **District Administrative Expenditures for Legal and Lobbying Services**

**Questioned Costs: \$36,260**

**Condition** – Review of legal and lobbying expenditures noted that the District prepaid \$1,250 to Gamble and Schlemeier for lobbying services to be provided in the first quarter of 2006. The District stated that no lobbying services were obtained in 2006. The contract with Gamble and Schlemeier was allowed to lapse on December 31, 2006 and no other expenditures for lobbying services were incurred in 2006. In the aggregate, the District incurred administrative expenditures for legal and lobbying services in the amount of \$36,260 in 2006 and 2005 which appear to be unnecessary

and inappropriate uses of public funds. Additionally, some of the costs may have been previously withheld from the District as a result of the Missouri State Auditor's report released in February 2006, in which \$41,523 for lobbying for the years ended June 30, 2005, 2004 and 2003 were questioned, and the MDNR ultimately withheld \$50,273 from the District for lobbying services. See Schedule III for a listing of questionable legal and lobbying expenditures.

**Criteria** - MDNR General Terms and Conditions, I.P. states, "Allowability of costs shall be determined in accordance with cost principles contained in OMB Circular No. A-87 for state and local governments..." OMB Circular No. A-87 states, "...costs must meet the following general criteria: a. Be necessary and reasonable for proper and efficient performances and administration of Federal (State) awards." This Circular also states, "A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost."

Additionally, the Department and District signed an Audit Resolution Plan on September 6, 2006 to resolve the findings in the Missouri State Auditor's report released February 2006. The agreement stated "The District is to discontinue using public funds for lobbying."

Furthermore, MDNR Special Terms and Conditions state, "Districts are responsible for ensuring proper use of the funds. District will repay the amount of any improperly expended funds to the MDNR for deposit into the SWMF."

Finally, 10 CSR 80-9.050(1)(E)3 states, "The following costs are considered ineligible for district grant funding: D. Legal costs."

**Effect** - The District is at risk to reimburse MDNR for any improperly expended funds.

**Cause** - It appears that the District believes that these expenditures are necessary and appropriate for reducing solid waste and expanding recycling activities.

**Recommendation** - We recommend that the District be required to monitor District expenditures to ensure that the District is not making unnecessary and inappropriate purchases, and seek reimbursement for any improperly expended funds. Additionally, the audit questions unnecessary and inappropriate legal and lobbying expenditures for the two years under review in the amount of \$36,260. During the audit resolution process, any duplication of questioned costs between this report and the Missouri State Auditor's report should be determined and addressed.

**District Response** - The District disagreed with the finding and recommendation. The District stated in part, "The Missouri legislature granted solid waste management districts with both the authority to enter into any contracts they felt necessary, and to make any expenditures they felt necessary. This authority was granted in RSMo 260.310.3 and 260.320.2. The legislature also did not require that DNR approve any contracts or expenditures. Legal services and lobbying services are both professional services that are within the statutory authority of Districts to obtain. DNR exceeds its

statutory authority to deny those services to Districts. Additionally, it may be a conflict of interest for DNR to initiate legislative efforts to divert dedicated local funds and then declare that any district attempts to protect those funds for their intended purpose are unnecessary and inappropriate. It should be noted that lobbying services and certain legal expenditures were utilized only in response to actions undertaken by DNR. The District did not initiate expenditures prior to DNR actions. It should be noted that DNR has withheld \$50,273, and questioned costs total \$36,260.”

“Legal services are a normal cost of doing business. Districts are political corporations with significant responsibilities under law. The District has utilized legal services in the following chronological fashion.”

“Shulamith Simon was the original District attorney, and only provided general legal services for administration and contract issues. The District began to use a different attorney as Ms. Simon approached retirement. Curtis, Heinz, Garrett began providing services in 2005. Curtis, Heinz, Garrett also provided general legal services for administration issues, as well as limited review for responses to DNR regarding the state auditor’s report. The District would have been irresponsible to not seek legal advice when the District was being subjected to administrative actions and penalties. Thompson and Coburn continue to provide general legal services to the District. DNR may exceed its statutory authority by preventing Districts from seeking legal counsel or by withholding funds for legal expenses.”

“The District did utilize lobbying services after DNR initiated legislative efforts to divert approximately one million dollars per year that the St. Louis region pays into the Solid Waste Management Fund. The District clearly has the legislative authority to secure lobbying services. The use of lobbying service was necessary and appropriate given the situation of DNR sponsored legislation to divert a huge sum of funds paid into the state solid waste management fund by this region. The District would have been remiss to not oppose that legislation.”

“Limits on the ability of Districts to utilize lobbying expenses may exceed DNR statutory authority. The provision in the general terms regarding lobbying addresses federal funds and the federal legislature, and is not applicable to the Districts. The District only used local funds for lobbying expenditures, and documented that fact with special accounting research at significant additional cost. DNR subsequently withheld over \$50,273 from the District, even though only local funds were used, and the District clearly has statutory authority to enter into contracts with whomever the District deems appropriate. Lobbying expenses have already been withheld by DNR. The District strongly disagreed with the withholding and appealed that decision. DNR chose not to address the technical merits of the appeal.”

Additionally, see Schedule VII for the response provided by the District’s attorney regarding legal and lobbying expenditures.

**Comment** – We have considered the District Response and have determined that the District failed to comply with 10 CSR 80-9.050(1)(E)3 which states, “The following costs are considered ineligible for district grant funding: D. Legal Costs.”

7. **District Administrative Expenditures for Artwork, Books and Subscriptions**

**Questioned Costs: \$9,583**

**Condition** - The District incurred administrative expenditures for artwork, books and subscriptions in the amount of \$9,583 in 2006 and 2005 which appear to be unnecessary and inappropriate uses of public funds. Additionally, some of the costs may have been previously withheld from the District as a result of the Missouri State Auditor's report released in February 2006, in which \$11,996 for murals, other artwork, and books for the years ended June 30, 2005, 2004 and 2003 were questioned. See Schedule IV for a listing of questionable expenditures for artwork, books and subscriptions.

**Criteria** - MDNR General Terms and Conditions, I.P. states, "Allowability of costs shall be determined in accordance with cost principles contained in OMB Circular No. A-87 for state and local governments..." OMB Circular No. A-87 states, "...costs must meet the following general criteria: a. Be necessary and reasonable for proper and efficient performances and administration of Federal (State) awards." This Circular also states, "A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost."

Additionally, the Department and District signed an Audit Resolution Plan on September 6, 2006 to resolve the findings in the Missouri State Auditor's report released February 2006. The agreement stated "The Department and District agree to implement the recommendations of the Missouri State Auditor's report released February 2006. The state auditor's report included recommendations about unnecessary and inappropriate administrative expenditures,... No state grant funds, local match funds, or interest earned will be used for unnecessary or inappropriate expenses. The Department will withhold funds from District allocations for costs found to be unnecessary or inappropriate. Such costs include...mural, artwork, gifts, memorial donations, books unrelated to solid waste management or operation of the District..."

Furthermore, MDNR Special Terms and Conditions state, "Districts are responsible for ensuring proper use of the funds. District will repay the amount of any improperly expended funds to the MDNR for deposit into the SWMF."

**Effect** -- The District is at risk to reimburse MDNR for any improperly expended funds.

**Cause** -- It appears that the District believes that these expenditures are necessary and appropriate for reducing solid waste and expanding recycling activities.

**Recommendation** - We recommend that the District be required to monitor District expenditures to help ensure that the District is not making unnecessary and inappropriate purchases, and seek reimbursement for any improperly expended funds. Additionally, the audit questions unnecessary and inappropriate expenditures for

artwork, books and subscriptions for the two years under review in the amount of \$9,583. During the audit resolution process, any duplication of questioned costs between this report and the Missouri State Auditor's report should be determined and addressed.

**District Response** – The District disagreed with the finding and recommendation. The District stated in part, “These expenditures are normal expenditures related to furnishing an office, as well as acquiring resource materials that are helpful for the District to promote all aspects of waste reduction and recycling as well as administer the District.”

“DNR previously withheld \$12,778 from the District, which exceeds \$9,583 listed. There does not appear to have been any itemized list of expenditures used by DNR for this withholding. This includes \$10,125 for murals and furnishings for an office which serves as a regional resource facility. An additional \$1,871 was withheld for any book purchased. All book purchases relate to aspects of waste reduction and recycling and District administration. Books and costs for furnishing the office are appropriate and should not have been withheld. These questioned costs would withhold those funds for a second time.”

## 8. **Donations to Organizations**

### **Questioned Costs: \$18,700**

**Condition** - The District incurred administrative expenditures for donations made to organizations in the amount of \$18,700 in 2006 and 2005 which include a \$4,000 membership to the Metropolitan Association of Philanthropy. These donations and memberships appear to be unnecessary and inappropriate uses of public funds. See Schedule V for a listing of questionable donation expenditures.

**Criteria** - MDNR General Terms and Conditions, I.P. states, “Allowability of costs shall be determined in accordance with cost principles contained in OMB Circular No. A-87 for state and local governments...” OMB Circular No. A-87 states, “...costs must meet the following general criteria: a. Be necessary and reasonable for proper and efficient performances and administration of Federal (State) awards.” This Circular also states, “A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.”

Additionally, the Department and District signed an Audit Resolution Plan on September 6, 2006 to resolve the findings in the Missouri State Auditor's report released February 2006. The agreement stated “The Department and District agree to implement the recommendations of the Missouri State Auditor's report released February 2006. The state auditor's report included recommendations about unnecessary and inappropriate administrative expenditures,... No state grant funds, local match funds, or interest earned will be used for unnecessary or inappropriate expenses. The Department will withhold funds from District allocations for costs found to be unnecessary or inappropriate.”

Furthermore, MDNR Special Terms and Conditions state, "Districts are responsible for ensuring proper use of the funds. District will repay the amount of any improperly expended funds to the MDNR for deposit into the SWMF."

**Effect** – The District is at risk to reimburse MDNR for any improperly expended funds.

**Cause** – It appears that the District believes that these expenditures are necessary and appropriate for reducing solid waste and expanding recycling activities.

**Recommendation** - We recommend that the District be required to monitor District expenditures to ensure that the District is not making unnecessary and inappropriate purchases, and seek reimbursement for any improperly expended funds. Additionally, the audit questions unnecessary and inappropriate expenditures for donations made to organizations for the two years under review in the amount of \$18,700.

**District Response** – The District disagreed with the finding and recommendation. The District stated in part, "The donations discussed are inadequately described by the budget category, which has since been changed to Community Outreach to reflect the purpose of these expenditures. These expenditures are event sponsorships in order to include waste reduction and recycling education as part of the event, and memberships that provide training and services for the District staff, as well as benefits for grantees."

#### 9. **Utilization of District Vehicle**

**Condition** – The District purchased a vehicle in 2003 to be used for official District business. The District does not maintain a vehicle usage or maintenance log to evidence that the vehicle is used for official District business only or that the vehicle is properly maintained. Additionally, it was observed that the vehicle does not have a District identification sign permanently affixed to the vehicle that would further deter any personal usage of the District vehicle.

A similar issue was noted in prior audit Findings 3 and 12 which are included as a schedule to the report.

**Criteria** – MDNR General Terms and Conditions, I.H.2.a. states, "Property records must be maintained that include a description of the equipment, a serial number or other identification number, the source of property, the acquisition date, and the cost of the property, the location, use and condition of the property...c. A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property."

**Effect** – There is the potential risk that District equipment, purchased with state funds, will be used for unauthorized purposes, or that District equipment will not be properly maintained.

**Cause** – The District was unaware of the controls necessary to ensure that District equipment is adequately safeguarded, equipment usage is properly documented and District property is identified.

**Recommendation** – We recommend that the District be required to implement procedures to ensure that District equipment is adequately safeguarded against loss, damage, theft and unauthorized usage. Additionally, we recommend that the District install a permanent sign on the District vehicle which properly identifies the equipment as District property.

**District Response** – The District stated, “The District purchased a vehicle in 2003 using interest funds. The purchase was approved by the District executive board, and DNR approval was not required. The District has started a vehicle usage log, even though all usage is charged to the same budget. The usage log is kept in the vehicle. The District has also begun a maintenance log, which is kept in the District files. Identification has been affixed to the vehicle. These actions address this issue.”

#### 10. **Equipment Management**

**Condition** – It was determined through review of the District’s fixed asset register that the District does not include serial numbers or other identification numbers for equipment maintained at the District office, including the VIN identification number for the District vehicle. Additionally, it does not appear that the District included any artwork or books purchased on their fixed asset register. Furthermore, it was noted that, as of December 31, 2006, the District had not performed an inventory or updated its fixed asset register for 2006.

A similar issue was noted in prior audit Finding 3 which is included as a schedule to the report.

**Criteria** – MDNR General Terms and Conditions, I.H.2.a. states, “Property records must be maintained that include a description of the equipment, a serial number or other identification number, the source of property, the acquisition date, and the cost of the property, the location, use and condition of the property...b. A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.”

**Effect** – The District increases the potential risk that property will not be adequately protected from theft or loss.

**Cause** – The District believed that they were in compliance with the minimum requirements for managing equipment, however, these requirements do not appear to have been documented by the District on the fixed asset register.

**Recommendation** – We recommend that the District be required to implement procedures to ensure that property records are adequately maintained and include the items necessary to meet the minimum requirements of the General Terms and Conditions.

**District Response** – The District stated, “The fixed asset inventory for 2006 is complete as part of the annual independent audit process. Assets valued more than \$500 are included in the fixed asset listing. As required by generally accepted accounting principles, assets purchased with a useful life greater than one year are capitalized. To reduce the recordkeeping required for clearly insignificant purchases, a capitalization threshold was determined by the District which would include all significant assets purchased with a useful life greater than one year. The \$500 threshold was deemed a reasonable amount based on the size and operations of the District. Identification tags and serial numbers will be added to the listing, even though the list references the source documentation related to the purchase. The artwork purchased in 2005 (mural) will be added to the fixed asset listing, however, will not be depreciated due to its unique nature, and the difficulty in determining an estimated useful life. The updated list with serial numbers and tags will be complete by May 31, 2007, which will complete the issue.”

**11. Lack of Dual Signatures on Checks Under \$2,000**

**Condition** – The District’s policy is that two signatures are required on all checks over \$2,000, and that two signatures are required on all subrecipient grant payments. This threshold appears to be set at too high an amount to ensure that the board is involved in reviewing and approving District operating expenditures.

**Criteria** – 10 CSR 80-9.050(4)(B) states, “An executive board receiving funds from the Solid Waste Management Fund for district grants shall themselves maintain, and require recipients of financial assistance to maintain, an accounting system according to that accurately reflects all fiscal transactions, incorporates appropriate controls and safeguards...”

Additionally, MDNR General Terms and Conditions, I.E.3. states, “Effective control and accountability must be maintained for all recipient cash, real and personal property, and other assets. Recipients must adequately safeguard all such property and must assure that it is used solely for authorized purposes.”

**Effect** – There is an increased risk that unallowable and unauthorized expenditures are made with District funds without the approval or knowledge of the District executive board members.

**Cause** – The District believes that its check writing policy is adequate to ensure that no unauthorized and unallowable expenditures may occur in which the executive board is unaware of.

**Recommendation** – We recommend that the District review its check writing policy to ensure that no unauthorized or unallowable expenditures are being made without the knowledge and consent of the District executive board. The review should include a lowering of the \$2,000 dual signature requirement as negotiated with MDNR.

**District Response** – The District stated, “Two signatures are always required for any grant payment, a policy established by the executive board when the District started its

own checking account. The \$2,000 limit was set so that normal operating expenses, such as rent, phone, etc. can be paid on a timely basis without having the chairperson or District staff incur unnecessary time and travel. The District considers the \$2,000 dual signature limit to be sufficient, while providing adequate authoritative approval on cash disbursements. Additionally, all subrecipient grant payments require dual signatures on the checks. The District Chairperson meets with the Executive Director at least once a week to sign checks. Both operating and grant checks are signed at that time. Almost all checks receive two signatures. This additional detail explains the system and addresses the issue.”

**12. District Financial Audit Not Timely Submitted**

**Condition** – The required 2005 financial audit for the District was not timely submitted to MDNR within 120 days from the end of the District’s fiscal year. The audit report was received by MDNR in August 2006.

**Criteria** – RSMo Section 260.325.10 and MDNR Special Terms and Conditions state, “The District board shall arrange for independent financial audits of the records and accounts of its operations by a certified public accountant or a firm of certified public accountants. Districts receiving two hundred thousand dollars or more of financial assistance shall have annual independent financial audits...” MDNR Special Terms and Conditions also state, “The District will provide DNR a copy of the entire audit report issued by a certified public accountant or a firm of certified public accountants within 120 days of the close of the District’s fiscal year.”

**Effect** – The District did not timely submit the required audit report to MDNR for 2005 and was not in compliance with the above requirements.

**Cause** – The District receives a discounted rate from the firm of certified public accountants to perform the financial audit after tax season. Consequently, the District is unable to provide the financial audit to MDNR prior to the required deadline.

**Recommendation** – We recommend that the District be required to implement a plan to ensure that the required annual financial audit report is complete and submitted to MDNR prior to the deadline as stated in the rules and regulations. Otherwise, the District should obtain a waiver from this requirement if MDNR concurs that the cost savings is justified for a short extension period.

**District Response** – The District stated in part, “Annual audits have historically been due to DNR within 120 days from the close of the state fiscal year. This changed in the 2006 District grant agreements, affecting 2006 funding. Prior years of district grant agreements always referenced the state fiscal year. The District had received no 2006 funds during the 2005 fiscal year period. The financial audit for 2005 addressed funds received for prior fiscal years, which contained audit requirements based on the state fiscal year, not a District’s fiscal year. The District was not out of compliance with the audit requirements for the fiscal year agreements for which it had received funding. At any rate, the audit report was submitted to DNR and the issue is settled.”

13. **District Bylaws**

**Condition** – It was noted that the District by-laws have not been updated since August 1997. Since that time the District has expanded to include St. Charles County. The by-laws are the rules governing the internal management of the District and designate the entities comprising the District.

**Criteria** – RSMo Section 260.320.2 states, “The executive board may adopt, alter or repeal its own by-laws, rules, and regulations governing the manner in which its business may be transacted,…”

**Effect** – The existing by-laws for the District do not reflect the actual composition of the District. Therefore, the District is not in compliance with RSMo 260.320.

**Cause** – The District by-laws were not revised when St. Charles County joined the District due to an administrative oversight.

**Recommendation** – We recommend that the District be required to update its by-laws to reflect the current composition of the District and submit them to MDNR to demonstrate compliance with RSMo Section 260.320.

**District Response** – The District stated, “All of the jurisdictions comprising the District amended ordinances to include St. Charles County, including adjusting the executive board seat allocations. Copies of these ordinances were reviewed by the contract auditor. The ordinances take precedence over the by-laws. The by-laws are scheduled for amendment at the May executive board meeting. This addresses the issue.”

14. **Retainage Not Held**

**Condition** – The audit noted in project number 2004054 that the District retained an amount less than the required fifteen percent (15%) retainage of grant funds until the final report was submitted by the subgrantee and approved by the District.

**Criteria** – 10 CSR 80-9.050(4)(C) states, “The executive board shall retain fifteen percent (15%) of the funds from the recipient until the board gives approval to the recipient’s final report and the final accounting of project expenditures.”

**Effect** – Subgrantee was reimbursed 100% of their expenditures prior to submitting a final report, in violation of State regulations.

**Cause** – The cause was an administrative oversight by the District.

**Recommendation** – We recommend that the District be required to implement procedures to ensure that the District retains fifteen percent (15%) of subgrant funds until board approval of the final report and accounting of project expenditures.

**District Response** – The District stated, “District staff did make a reimbursement that slightly exceeded the 85% threshold prior to receipt of the final report. Staff misinterpreted a report to interpret that it was a final report. Project 2004054 has since

been closed, and the issue is resolved. It was a mistake and the staff will ensure that it does not happen again.”

“Additionally, the District’s 2006 independent audit fieldwork is complete, and no additional instances of this mistake were noted in the 25 grants undergoing review in that audit. The District is confident that it was an isolated instance with little chance of happening again.”

**15. Untimely Filing of UCC Financing Statement**

**Condition** – A UCC Financing Statement to document the property lien on the newly purchased granulator under project number 2005038 was not completed and filed with the Secretary of State in a timely manner. The financial assistance agreement between the District and subgrantee was effective on May 2, 2005, however, the UCC Financing Statement was not filed until December 11, 2006.

**Criteria** – MDNR Special Terms and Conditions state, “The subgrantee hereby grants to the District, its successors and assigns a security interest in all equipment purchased for \$5,000 or more, in whole or in part, with SWMF monies. ...The security interest of the district shall decrease at a rate of 25% per year, beginning on the start date of the project period as set forth in the financial assistance agreement between the District and the subgrantee.”

**Effect** – The District risks the subgrantee transferring, selling, or pledging the District’s security interest as collateral by not filing the UCC-1 in a timely manner.

**Cause** – Original granulator was upgraded to a more efficient model, however, a UCC Financing Statement was not filed for either piece of equipment prior to December 11, 2006.

**Recommendation** – We recommend that the District be required to implement procedures to ensure that the District is in compliance with state regulations pertaining to the timely filing of UCC Financing Statements.

**District Response** – The District stated in part, “This asset for project 2005038 is secured and is included in all equipment inspections and reporting. The initial piece of equipment was not performing to specifications, and was upgraded to a better piece of equipment. The UCC was filed on the improved equipment once it was delivered. Additionally, new procedures have been implemented which will address timeliness issues in the future.”

**16. Failure To Obtain a Security Interest**

**Condition** – Review of Project number 2005062 noted that the District did not obtain a security interest in a site improvement costing greater than \$5,000 and funded, in part, with district grant funds.

**Criteria** – MDNR Special Terms and Conditions state, “The subgrantee shall grant to the District, its successors and assigns a security interest or lien in all buildings or site

improvements purchased or constructed for \$5,000 or more, in whole or in part, with SWMF monies.”

**Effect** – The District risks the subgrantee transferring, selling or pledging the District’s security interest as collateral.

**Cause** – An administrative oversight by the District.

**Recommendation** - We recommend that the District be required to implement procedures to ensure that the District is in compliance with state regulations pertaining to obtaining security interest for site improvements purchased or constructed by the subgrantee.

**District Response** – A security interest has been obtained for Project 2005062.

17. **Late Fees Reimbursed By District To Subgrantee**

**Condition** – Review of Project numbers 2005032 and 2004060 noted instances in which late fees were paid by the subgrantee and subsequently reimbursed to the subgrantee by the District. Late fees do not appear to be necessary and reasonable costs.

**Criteria** – MDNR General Terms and Conditions, I.P. states, “Allowability of costs shall be determined in accordance with cost principles contained in OMB Circular No. A-87 for state and local governments...” OMB Circular No. A-87 states that costs must meet the following general criteria: Be necessary and reasonable for proper and efficient performance and administration of Federal (State) awards.”

**Effect** – District grant payments were made for unnecessary and unreasonable costs incurred by the subgrantee.

**Cause** – Procedures designed to ensure proper disbursement of subgrant funds were not followed by District staff.

**Recommendation** – We recommend that the District be required to implement procedures that subgrant disbursements be made only upon receipt of proper source documentation as required by MDNR. Additionally, the District should implement procedures to ensure that costs incurred for unnecessary and unreasonable expenditures are not reimbursed to the subgrantee.

**District Response** – The District stated in part, “The late fees in question in the total amount of \$22 were not ineligible costs, and therefore were considered to be allowable. In the future, any late fees incurred by a recipient that are not caused by an action of the District will not be reimbursed.”

18. **Utilization of Subgrantee Equipment**

**Questioned Costs: \$75,000**

**Condition** – Review of Project number 2004054 noted that equipment purchased by the subgrantee and funded, in part, with District grant funds had not been installed and utilized as agreed upon in the financial assistance agreement effective May 13, 2004. The financial assistance agreement expired November 2005 and the final report was submitted to MDNR in April 2006. As of December 31, 2006, the equipment has been stored in two tractor trailers at the subgrantee location. The subgrantee has not utilized this equipment for the performance of services under this agreement for the term of the agreement or thereafter. Electrical installation costing in excess of \$5,000 and fully funded with District grant funds was completed prior to the determination of the space limitation regarding the equipment purchased and consequently was never used by the subgrantee. Additionally, the problems related to installing and utilizing this equipment was not properly reported to MDNR in the quarterly reports submitted by the District. Furthermore, diversion of material related to Project number 2004054 was reported to the District by the subgrantee and consequently reported to MDNR in the quarterly reports submitted by the District. However, this equipment was not being fully utilized by the subgrantee.

**Criteria** -- MDNR Special Terms and Conditions state, “Any funds awarded to a district which are not expended (or encumbered) for the purposes for which the funds were awarded, will be repaid by the District to the MDNR for deposit into the SWMF.”

Additionally, MDNR Special Terms and Conditions state, “Districts will notify the MDNR of any and all changes in project status, in the quarterly report immediately following any changes, from the date of execution of the district grant agreement through the completion of each project.”

**Effect** – The District is at risk to reimburse MDNR for any District grant funds which are not expended for the purpose for which the funds were awarded.

**Cause** – The District failed to report to MDNR the delays and problems regarding the installation and utilization of District grant funded equipment.

**Recommendation** -- We recommend that the District be required to implement procedures to ensure that District grants awarded to subgrantees are used for the agreed on purpose and utilized within the agreed upon time period. Additionally, we recommend that any and all changes in project status be reported to MDNR on a quarterly basis and that these reports accurately reflect the accomplishments of the project. Furthermore, the audit questions costs expended on Project number 2004054 in the amount of \$75,000.

**District Response** – The District stated in part, “The grantee, Remains, is a textile recycler that has been operating in an inadequate location for a number of years. They chose to utilize a brownfield site that would suit their needs, once it could be remediated and cleared for usage. This process has taken several years and great

expense. Additionally, once the site was available for use, Remains needed to sell its building in order to be able to move into the new location.”

“The tear line project is a unique project occurring nowhere in the Midwest. Initially, the equipment was purchased and main components installed. The equipment was installed, tagged as part of the regular security procedures, and utilized in operations with diversion reported. The rest of the system could not be fit into the existing space, and a business decision was made to take the line out of operation until it can be installed in its entirety at the new location. At that point it was packed into storage for moving to the new facility, though some of the components remain in operation at the existing facility.”

“Currently, Remains has signed a contract to sell their existing location on April 26, 2007 and the sale was finalized on this same date. The main line will be installed first, and the shredding tear line will be installed afterwards, as the final remediation and construction is completed on the new site. Additionally, a new security agreement has been signed with Remains on the equipment purchased with District funds.”

“The District’s partnership with Remains has been long and challenging. The District is gratified that everything is finally working out. Our ability to be patient and persistent has been a key part of the success of this effort, especially the dual purpose of a successful brownfield renovation. These tough projects are where the District help can make a huge impact, and are the type of project we should support. The equipment has been secure throughout this time, has been in use, and will begin to be used again as part of a revitalized operation serving multiple public goals at the final location. This addresses the issue.”

#### 19. Procurement Procedures

**Condition** – Review of District funded grant projects noted exceptions with regard to bid solicitations. The subgrantee for Project numbers 2005038 and 2006034 did not solicit bids for the processing of granulated plastics into plastic lumber. The District asserts that the procurement was sole source justified but failed to document the circumstance. The expenditures for processing this material were in excess of \$25,000 in each of the years 2006 and 2005. Additionally, the subgrantee for Project number 2004054 did not solicit bids for electrical installation, which was never utilized, costing in excess of \$5,000 and fully funded with District grant funds.

A similar issue was noted in prior audit Finding 5 which is included as a schedule to the report.

**Criteria** - RSMo Chapter 34 and 1 CSR 40-1 specify the State’s procurement policies. The State’s bidding requirements are: If the purchase was less than \$3,000 bids are not required. If the purchase was between \$3,000 and \$25,000 a minimum of three competitive bids are required, but do not need to be advertised. If the purchase was greater than \$25,000 a minimum of three competitive bids and advertising is required.

**Effect** – Procurement for the installation and processing noted above was effected without the required bidding procedures in violation of the State’s procurement policies.

**Cause** – The District did not ensure that the subgrantees were using proper procurement policies related to bidding requirements.

**Recommendation** – We recommend that the District be required to implement procedures to ensure that subgrantees are in compliance with State procurement policies relating to bidding requirements for equipment, installation, and processing undertaken by the subgrantee. These procedures must include file documentation for sole source justification. Additionally, we recommend that the District require documentation of procurement policies of subgrantees, and that subgrantees be required to adhere to those policies.

**District Response** – The District stated in part, “With regards to projects 2005038 and 2006034, these were partnership efforts with a sole source provider. The plastic pot recycling program has evolved over time to expand from just collection to a demonstration of closed loop recycling with a strong educational component. There is only one plastic lumber manufacturer available to perform this service, which is common knowledge to professionals in the recycling field.”

20. **Printed Materials**

**Condition** – The audit noted two brochures which were developed and distributed by the District that did not include credit to MDNR for funding or present the MDNR logo on these brochures.

**Criteria** – MDNR Special Terms and Conditions state, “Grantees and subgrantees receiving grant funding from the Solid Waste Management Fund shall identify the Missouri Department of Natural Resources as a funding source on all publications and other printed materials which are intended for distribution. Identification shall include the Department’s logo with the full Department name.”

**Effect** – Printed materials were distributed by the District which failed to credit MDNR for funding or identify the Department and its logo.

**Cause** – This was an administrative oversight by the District.

**Recommendation** – We recommend that the District be required to implement procedures to ensure that all printed materials distributed by the District or any subgrantee of the District properly credit MDNR for funding and identify the Department and its logo.

**District Response** – Both brochures are being reprinted with the MDNR logo.

**21. Expired Financial Assistance Agreement**

**Condition** – Review of Project number 2005062 noted the financial assistance agreement expired on December 13, 2006, however, the District had not received a final report from the subgrantee as of December 31, 2006. Additionally, the District received a sixth quarterly report for the project from the subgrantee on January 8, 2007.

**Criteria** – 10 CSR 80-9.050(4)(G) states, “Funding for approved subgrants will be forwarded to the District upon receipt of a completed, signed and dated invoice and financial assistance agreement for each individual subgrant.”

**Effect** – The District is at risk to reimburse MDNR for grant funds awarded to projects which incurred expenditures subsequent to the expiration of the financial assistance agreement.

**Cause** – There was no project activity subsequent to the expiration of the financial assistance agreement, therefore, no amendment was filed.

**Recommendation** – We recommend that the District be required to implement procedures to ensure that a current financial assistance agreement is maintained for each open grant award.

**District Response** – The District stated in part, “An amendment was requested and granted for Project 2005062 in January 2007. This will be included in the next quarterly report as done in accordance with the standard operating procedures.”

**22. Quarterly Reports Not Timely Filed**

**Condition** – The audit noted the following quarterly reports were not timely submitted within thirty days from the end of the quarter to MDNR for all active District subgrants:

- Quarter ended December 31, 2004 was submitted in 32 days.
- Quarter ended March 31, 2005 was submitted in 34 days.
- Quarter ended September 30, 2005 was submitted in 31 days.
- Quarter ended December 31, 2005 was submitted in 34 days.

A similar issue was noted in prior audit Finding 8 which is included as a schedule to the report.

**Criteria** – 10 CSR 80-9.050(3)(B)1 states, “The District shall submit to the Department, at the end of each state fiscal year quarter, a report which contains the following for each project in progress:...”

Additionally, MDNR Guidance Document for Solid Waste Management District Grants states, “Quarterly status reports shall be submitted to the department’s SWMP

for activities that occur during each calendar year quarter thirty days following the reporting period.”

**Effect** – Required status reports were not received by MDNR on a timely basis.

**Cause** – The large number of grant projects makes it difficult for the District to submit all of the project reports within the thirty day deadline.

**Recommendation** – We recommend that the District be required to implement procedures to ensure that the thirty day deadline for submitting quarterly reports to MDNR is achieved.

**District Response** – The District stated, “This is a minor procedural matter. The District has always notified DNR staff if reports were late, but did not save any documentation prior to 2006. The District will be sure project reports are received within the thirty day period, or an extension requested. If necessary, overnight mail will be used to ensure compliance. DNR staff has stated that our District is one of the best Districts for submission of quarterly reports.”

23. **Final Reports Not Timely Filed**

**Condition** – Review of Project number 2004060 noted that the final report was not timely submitted to MDNR within thirty days of the project completion date. The financial assistance agreement expired on November 27, 2005, however, the final report was submitted to MDNR on February 3, 2006. Additionally, review of Project number 2004054 noted that the final report was not timely submitted to MDNR within thirty days of the project completion date. The financial assistance agreement expired on November 11, 2005, however, the final report was submitted to MDNR on April 28, 2006.

A similar issue was noted in prior audit Finding 8 which is included as a schedule to the report

**Criteria** – 10 CSR 80-9.050(3)(C) states, “The District shall submit to the department a final report for each project, within thirty days of the project completion date as stated in the financial assistance agreement...”

**Effect** – Required status reports were not received by MDNR on a timely basis.

**Cause** – Subgrantees are sometimes untimely in submission of their final report to the District consequently causing the District’s final report to MDNR to not be timely submitted.

**Recommendation** – We recommend that the District be required to submit its reports to MDNR within the time limits allowed by law. The reports should note any subgrantee which has not complied with the reporting requirements.

**District Response** – Final reports for both 2004060 and 2004054 have been provided to MDNR and the issue has been addressed.

24. **Amendment To Financial Assistance Agreement Not Reported**

**Condition** – Review of Project numbers 2005038 and 2004048 noted that the District did not report a budget amendment to the financial assistance agreements in the quarterly or final reports submitted to MDNR.

**Criteria** -- 10 CSR 80-9.050(3)(B)1 states “The District shall submit to the department, at the end of each state fiscal year quarter, a report which contains the following for each project in progress: ...C. Budget adjustments made within budget categories, with justifications;...”

Additionally, 10 CSR 80-9.050(3)(C) states, “The District shall submit to the department a final report for each project, within thirty days of the project completion date as stated in the financial assistance agreement, that shall contain the same information as described in the quarterly reports in subsection (4)(B) of this rule...”

**Effect** – Accurate and timely information is not available to MDNR to monitor the progress of the District grants.

**Cause** -- This was an administrative oversight by the District.

**Recommendation** -- We recommend that the District be required to implement procedures to ensure that any amendments to the financial assistance agreements of any District grant projects are timely included with the quarterly and final reports submitted by the District to MDNR.

**District Response** – The District stated in part, “The District includes copies of amendments with each quarterly report to DNR as part of the normal operating procedures. The amendment for 2004048 was included with the quarterly report to DNR, but the amendment to 2005038 was inadvertently omitted. This is an isolated instance. District staff performed an additional review of all quarterly reports to double check for any omissions. No additional omissions were found. This issue has been resolved with the transmission of the amendments.”

25. **Projects Funded Utilizing Interest Funds**

**Condition** -- The audit noted that fiscal year 2005 Project numbers 2005001, 2005002, 2005003 and 2005004 did not receive initial approval by the MDNR. These projects were funded as special projects utilizing interest funds. These projects were approved by MDNR in October 2006.

**Criteria** – Interest income earned on state grants is considered state funds and the expenditure of interest income must be done pursuant to a state grant approved by the MDNR. The Department’s Special Terms and Conditions state, “Expenditure of income earned from interest on district grant agreement funds must be in compliance

with 10 CSR 80-9.050 Solid Waste Management Fund (SWMF) – District Grants.” 10 CSR 80-9.050(1)(C)1 states, “Grant monies made available by this rule shall be allocated by the district for projects contained within the district’s approved solid waste management plan. These funds will be used for solid waste management projects as approved by the department.”

**Effect** – Interest income, which is considered state funds, was not allocated by the District for projects contained within the District’s approved solid waste management plan.

**Cause** – The District was unaware of the criteria requirement.

**Recommendation** – We recommend that the District be required to expend interest income only on grant projects contained within the District’s solid waste management plan approved by MDNR.

**District Response** – The District stated, “These projects were funded as special projects utilizing interest funds. DNR added those to the list of approved projects for 2005, and the District had no objection. Districts have had the authority to utilize interest funds for resource recovery projects. A copy of an authorization letter is attached. There is no additional information necessary.”

St. Louis-Jefferson Solid Waste Management District  
 Questionable Expenditures for Food and Travel  
 For the Two Years Ended December 31, 2006

SCHEDULE II

Account ID	Account Description	Transaction Date	Check Number	Transaction Description	Transaction Amount	District Response Activity	District Response Attendees
3581-513-80040	AMEX - Other Expenses	11/9/2006	3914	Schlaflly Bottleworks - Food and Bev.	32.00	Ex Board Officer Mtg	DB, Brown
3581-513-80040	AMEX - Other Expenses	11/15/2006	3914	Sunset 44 - Food and Bev.	28.14	Ex Board Officer Mtg	DB, Yost
3581-513-80040	AMEX - Other Expenses	11/21/2006	3914	Straubs (grocery)	6.56	Ex Board Mtg Food	Exec Board
3581-513-80040	AMEX - Other Expenses	11/21/2006	3914	Straubs (grocery)	59.29	Ex Board Mtg Food	Exec Board
3581-513-80040	AMEX - Other Expenses	11/22/2006	3914	Squires Restaurant	95.66	StL Mayor Staff Mtg	DB, Hale, Eby, Ponzi
3581-513-80040	AMEX - Other Expenses	11/22/2006	3914	Squires Restaurant	7.55	StL Mayor Staff Mtg	DB, Hale, Eby, Ponzi
3581-513-80040	AMEX - Other Expenses	11/29/2006	3914	Big A's on the River Food and Bev.	21.38	Chairman Mtg. Signatures	DB, Duvall
3581-513-80040	AMEX - Other Expenses	11/16/2006	3914	City Diner - Food and Bev.	16.93	Grant Adm Mtg	Adams, Hamilton
3581-513-80040	AMEX - Other Expenses	10/23/2006	3885	Culpeppers - Food and Bev.	30.00	Grants, Muni's Mtg	DB, Fischesser, Duvall
3581-513-80040	AMEX - Other Expenses	10/25/2006	3885	Brandt's Market - Food and Bev.	29.00	Ex Board Officer Mtg	DB, Wagner
3581-513-80040	AMEX - Other Expenses	10/27/2006	3885	Gevalia	29.15	Bulk Coffee - Admin Mtgs	
3581-513-80040	AMEX - Other Expenses	11/1/2006	3885	Straubs (grocery)	56.02	Admin Mtgs Refreshment	Grantees
3581-513-80040	AMEX - Other Expenses	11/10/2006	3885	Gevalia	39.35	Bulk Coffee - Admin Mtgs	
3581-513-80040	AMEX - Other Expenses	10/12/2006	3885	Pasta House - Food and Bev.	41.97	Admin Mtg - Byrnes Mill	Adams, Shelby, Deinbo, Sehie
3581-513-80040	AMEX - Other Expenses	10/31/2006	3885	Shop and Save Grocery	26.21	Paper Products - Supplies	
3581-513-80040	AMEX - Other Expenses	11/2/2006	3885	Macaroni Grill	58.33	Grant Adm Mtg	Adams, Dunnam, Deinbo, Shelby
3581-514-80021	Other Expense	11/7/2006	3883	Metro Assoc. of Philanthropy - 8 lunches	73.24	Env Funders - Cap Mtg	Group Meeting
3581-513-80040	AMEX - Other Expenses	9/13/2006	682	Soda Fountain Square - Food and Bev.	45.77	Strategic Planning Mtg	DB, Fox, Duvall
3581-513-80040	AMEX - Other Expenses	9/19/2006	682	Straubs (grocery)	43.38	Grant Adm Mtg	Staff and Grantees
3581-513-80040	Other Expense	9/21/2006	682	Soda Fountain Square - Food and Bev.	82.05	Grant Adm Mtg	DB, Deinbo, Adams, Shelby
3581-513-80040	AMEX - Other Expenses	9/25/2006	682	Straubs (grocery)	36.13	Ex Board Mtg Food	Exec Board
3581-513-80040	AMEX - Other Expenses	9/25/2006	682	CJ Muggs - Food and Bev.	23.85	Rulemaking Consult	DB, SLU Pub Policy
3581-513-80040	AMEX - Other Expenses	9/27/2006	682	Straubs (grocery)	22.08	Regional HHW Mtg	Jurisdictions - 12 attendees
3581-513-80040	AMEX - Other Expenses	9/27/2006	682	Schlaflly Bottleworks - Food and Bev.	91.29	Regional HHW Mtg	Jurisdictions - 12 attendees
3581-513-80040	AMEX - Other Expenses	9/29/2006	682	Breadsmith - Food and Bev.	10.11	Single-Stream Mtg	DB, Gilliam
3581-513-80040	AMEX - Other Expenses	10/2/2006	682	Bandanas BBQ - Food and Bev.	21.00	Ex Board Officer Mtg	Audit Resolution Issues
3581-513-80040	AMEX - Other Expenses	10/5/2006	682	Straubs (grocery)	20.32	Board & RFP mtgs	Shurn, Farrell, Siders
3581-514-80021	Other Expense	10/10/2006	3627	Art of Entertaining	18.52	Ex Board Mtg	Exec Board
3581-513-80040	AMEX - Other Expenses	10/10/2006	682	Straubs (grocery)	36.06	Board Mtg Refreshment	Exec Board
3581-513-80040	AMEX - Other Expenses	9/12/2006	682	Shop and Save Grocery	16.76	Trash Bags - Creamer	
3581-513-80040	AMEX - Other Expenses	10/6/2006	682	CJ Muggs - Food and Bev.	47.00	Grant Adm Mtg	Deinbo, Adams, Fairless
3581-513-80040	AMEX - Other Expenses	10/17/2006	683	\$10 expense added to mileage reimbursement	10.00	Cash Parking Reimburse	DB - Renew Energy Mtgs
3581-513-80040	AMEX - Other Expenses	9/8/2006	3810	Olympia Kabob House - Food and Bev.	30.00	Chair Admin Mtg	DB, Duvall
Food and Travel Expenditures from 9/6/06 through 12/31/06					<u>1,205.10</u>		
3581-513-80040	AMEX - Other Expenses	8/14/2006	3810	McDonalds - Rock Hill, Mo	13.98	Single-Stream Recycling	DB, Liyeos
3581-513-80040	AMEX - Other Expenses	8/15/2006	3810	Bandanas BBQ - Food and Bev.	35.67	Ex Officers Audit Mtg	DB, Brown, Duvall
3581-513-80040	AMEX - Other Expenses	8/16/2006	3810	Straubs (grocery)	65.75	Mtg/Office Supplies	Audit Review Mtgs
3581-513-80040	AMEX - Other Expenses	8/17/2006	3810	Gevalia	29.15	Bulk Coffee - Mtgs	
3581-513-80040	AMEX - Other Expenses	8/18/2006	3810	Jeremiah's Pick Coffee	18.95	Bulk Coffee - Mtgs	
3581-513-80040	AMEX - Other Expenses	8/22/2006	3810	Straubs (grocery)	22.08	Mtg Supplies	
3581-513-80040	AMEX - Other Expenses	8/23/2006	3810	Schlaflly Bottleworks - Food and Bev.	25.00	Chair Mtg - Admin	DB, Duvall
3581-513-80040	AMEX - Other Expenses	8/24/2006	3810	Straubs (grocery)	22.19	Elec Recycle Partners	Jurisdictions - 8 attendees
3581-513-80040	AMEX - Other Expenses	8/31/2006	3810	Straubs (grocery)	37.57	Elec Recycle Partners	Jurisdictions - 8 attendees
3581-513-80040	AMEX - Other Expenses	9/5/2006	3810	Schneithorst Restaurant - Food and Bev.	11.53	Recycling Grants - Allied	DB, LaMantia
2111-513-80040	AMEX - Telephone	7/22/2006	3779	Swisscom Publfone Switzerland	4.42	Call After Storms - Office	DB Check on office status
2221-513-80040	AMEX - Local & Out of Town	7/24/2006	3779	Park Inn, Ruemlang, Switzerland - hotel	80.84	Europe Recycling Progs	DB
3581-513-80040	AMEX - Other Expenses	7/25/2006	3779	Straubs (grocery)	81.28	Ex Board Mtg	Exec Board

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SCHEDULE II

St. Louis-Jefferson Solid Waste Management District  
 Questionable Expenditures for Food and Travel  
 For the Two Years Ended December 31, 2006

SCHEDULE II

Account ID	Account Description	Transaction Date	Check Number	Transaction Description	Transaction Amount	District Response Activity	District Response Attendees
3581-513-80040	AMEX - Other Expenses	7/26/2006	3779	Maya Café	23.10	Chair Mtg - Admin	DB, Duvall
3581-513-80040	AMEX - Other Expenses	7/28/2006	3779	Liywelyns Pub & Restaurant - Food and Bev.	30.00	Comm Recycling Mtg	DB, Dillard, Nautica
3581-513-80040	AMEX - Other Expenses	7/31/2006	3779	Alandales - Food and Bev.	34.05	Ex Board Officer Mtg	DB, Yost
3581-513-80040	AMEX - Other Expenses	8/2/2006	3779	Bandanas BBQ - Food and Bev.	21.84	Ex Board Officer Mtg	DB, Brown
3581-513-80040	AMEX - Other Expenses	8/3/2006	3779	Culpeppers - Food and Bev.	31.00	Muni Recycling Progs	Fisch., Duvall, DB
3581-513-80040	AMEX - Other Expenses	6/13/2006	3749	Shop and Save Grocery	70.73	Paper Products	
2221-513-80040	AMEX - Local & Out of Town	6/14/2006	3749	Lodge of 4 Seasons-Lake Ozark - 11 nights (car deposit)	189.52	MWCC Conf Room Dep	Board Members - 4 attendees
3581-513-80040	AMEX - Other Expenses	6/20/2006	3749	Boogaloo - Food and Bev.	14.88	Program Consult	DB, Michcals
3581-513-80040	AMEX - Other Expenses	6/22/2006	3749	Straubs (grocery)	76.67	Ex Board Mtg - RFP's	Exec Board
3581-513-80040	AMEX - Other Expenses	6/30/2006	3749	Schneithorst Restaurant - Food and Bev.	25.45	Grant App Consult-Allied	DB, LaMantia
3581-513-80040	AMEX - Other Expenses	7/5/2006	3749	Straubs (grocery)	7.91	Mtg Refreshments	DB, Imig
3581-513-80040	AMEX - Other Expenses	7/11/2006	3749	Macaroni Grill	65.46	Admin Mtgs - Inspection	Adams, Deinbo, Shelby
3581-513-80040	AMEX - Other Expenses	5/11/2006	3728	Straubs (grocery)	12.47	Mtg Refreshments	Exec Board, Grantees
3581-513-80040	AMEX - Other Expenses	5/23/2006	3728	Straubs (grocery)	69.23	Ex Board Meeting	Exec Board
3581-513-80040	AMEX - Other Expenses	5/30/2006	3728	Sunset 44 - Food and Bev.	38.00	Ex Board Officer Mtg	DB, Yost
3581-513-80040	AMEX - Other Expenses	5/31/2006	3728	Gevalia	29.15	Bulk Coffee	
3581-513-80040	AMEX - Other Expenses	6/5/2006	3728	Cypress Grille - Food and Bev.	10.85	MORA Conf Meal	DB
3581-513-80040	AMEX - Other Expenses	5/18/2006	3728	Cypress Grille - Food and Bev.	27.64	MORA Conf Meal	Dunnam, Adams
2221-513-80040	AMEX - Local & Out of Town	6/7/2006	3728	Embassy Suites - St. Charles, Mo 3 nights	744.14	MORA Conf Lodging	Adams, Dunnam
3581-513-80040	AMEX - Other Expenses	4/11/2006	3684	Straubs (grocery)	39.79	HHW Regional Mtg	Jurisdictions - 6 attendees
3581-513-80040	AMEX - Other Expenses	4/11/2006	3684	Straubs (grocery)	7.06	HHW Regional Mtg	Jurisdictions - 6 attendees
3581-513-80040	AMEX - Other Expenses	4/12/2006	3684	St Louis Bread	10.25	HHW Regional Mtg	Jurisdictions - 6 attendees
3581-513-80040	AMEX - Other Expenses	4/24/2006	3684	Schneithorst Restaurant - Food and Bev.	27.47	Grant Proposal Mtg	DB, VanDiver Groups
3581-513-80040	AMEX - Other Expenses	4/27/2006	3684	CJ Muggs - Food and Bev.	23.00	Ex Board Officer Mtg	DB, Duvall
3581-513-80040	AMEX - Other Expenses	5/3/2006	3684	Straubs (grocery)	19.28	Mtg Supplies	Grantees
3581-513-80040	AMEX - Other Expenses	5/9/2006	3684	Schlaflly Bottleworks - Food and Bev.	21.77	StL. County - HHW	DB, Haasis
3581-513-80040	AMEX - Other Expenses	4/17/2006	3684	Lone Star - Food and Bev.	23.00	MORA Conf Mtg	Adams, Gehlert
3581-513-80040	AMEX - Other Expenses	3/21/2006	3649	Straubs (grocery)	43.33	Ex Board Mtg	Exec Board
3581-513-80040	AMEX - Other Expenses	3/27/2006	3649	Straubs (grocery)	20.62	Mtg Supplies	Grantees
3581-513-80040	AMEX - Other Expenses	4/7/2006	3649	Straubs (grocery)	35.64	Ex Board Grant Review	Exec Board
3581-513-80040	AMEX - Other Expenses	3/17/2006	3649	Shop and Save Grocery	35.52	Paper Prod, Mtg Supply	Exec Board, Office
3581-513-80040	AMEX - Other Expenses	2/15/2006	3615	Lucas Park Grille - Food and Bev.	24.18	Audit Mtg - Mayor Staff	DB, Hale
3581-513-80040	AMEX - Other Expenses	2/15/2006	3615	Straubs (grocery)	24.65	Mtg Supplies	Exec Board, Grantees
3581-513-80040	AMEX - Other Expenses	2/23/2006	3615	Thai Country - Food and Bev	62.30	Conservation Orgs Mtg	DB, Heisel, Fuchs, Klamon
3581-513-80040	AMEX - Other Expenses	2/27/2006	3615	O'Charly's - Food and Bev.	24.82	Ex Board Officer Mtg	DB, Yost
3581-513-80040	AMEX - Other Expenses	2/28/2006	3615	Murry - Food and Bev.	42.09	RIC and SWAB Mtgs	DB, Duvall, Farrell
3581-513-80040	AMEX - Other Expenses	3/3/2006	3615	Straubs (grocery)	11.42	E-Scrap Mtg	DB, Yates, Shelby, Hamilton
3581-513-80040	AMEX - Other Expenses	2/22/2006	3615	Talaynas at the Park - Food and Bev.	35.99	Auditor's Report Mtg	Adams, Shelby, Deinbo
3581-513-80040	AMEX - Other Expenses	3/2/2006	3615	Shop and Save Grocery	33.36	Ex Board Mtg	Exec Board
3581-513-80040	AMEX - Other Expenses	1/12/2006	3589	Chilli's - Food and Bev.	36.94	Ex Board Officer Mtg	DB, Yost
3581-513-80040	AMEX - Other Expenses	1/12/2006	3589	Straubs (grocery)	35.53	Ex Board Grant Review	Exec Board
3581-513-80040	AMEX - Other Expenses	1/14/2006	3589	Straubs (grocery)	63.12	Ex Board Grant Review	Exec Board
3581-513-80040	AMEX - Other Expenses	1/17/2006	3589	Straubs (grocery)	48.76	Ex Board Mtg - RFP's	Exec Board
3581-513-80040	AMEX - Other Expenses	1/23/2006	3589	First Watch - Food and Bev.	18.27	Policy Consult	DB, Farrell
3581-513-80040	AMEX - Other Expenses	1/31/2006	3589	Maya Café	27.82	Single-Stream Grants	DB, Imig
3581-513-80040	AMEX - Other Expenses	1/14/2006	3589	St Louis Bread	16.44	Ex Board Grant Review	Exec Board
3581-513-80040	AMEX - Other Expenses	1/30/2006	3589	Wichman's Flowers	107.88	Memorial - Staff Family	
3581-513-80040	AMEX - Other Expenses	1/3/2006	3537	Straubs (grocery)	11.66	Mtg Refreshments	Grantees - 100 attendees
3581-514-80021	Other Expenses	1/27/2006	3547	Reimburse Dave for Board Xmas - Juice	70.31	Grant Application Mtg	Grantees - 100 attendees
3581-514-80021	Other Expenses	1/6/2006	3528	The Art of Entertaining	700.45	Grant Application Mtg	Grantees - 100 attendees

Food and Travel Expenditures from 1/1/06  
 through 9/5/06

3,673.22

SCHEDULE II  
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St. Louis-Jefferson Solid Waste Management District  
 Questionable Expenditures for Food and Travel  
 For the Two Years Ended December 31, 2006

SCHEDULE II

Account ID	Account Description	Transaction Date	Check Number	Transaction Description	Transaction Amount	District Response Activity	District Response Attendees
3581-513-80040	AMEX - Other Expense	12/12/2005	3537	Cheesecake St. Louis	37.13	Grant App Consult Mtg	DB, Fox, Farrell
3581-513-80040	AMEX - Other Expense	12/13/2005	3537	Maya Café - Food and Bev.	23.10	Ex Board Officers Mtg	DB, Duvall
3581-513-80040	AMEX - Other Expense	12/14/2005	3537	Straub's (grocery)	32.73	Grant App Mtgs	Staff, Grantees
3581-513-80040	AMEX - Other Expense	12/20/2005	3537	Sunset 44 - Food and Bev.	129.37	Grant App Staff Mtg	DB, Deinbo, Adams, Shelby
3581-513-80040	AMEX - Other Expense	12/21/2005	3537	The Boardwalk Café - Food and Bev.	39.72	Ex Board Officers Mtg	DB, Yost, Wagner
3581-513-80040	AMEX - Other Expense	12/29/2005	3537	Green Mountain Coffee	97.46	Bulk Coffee	
3581-513-80040	AMEX - Other Expense	12/14/2005	3537	Target Stores - Xmas	80.63	Grantee App Mtg	Grantees - 100 attendees
3581-513-80040	AMEX - Other Expense	12/14/2005	3537	Shop and Save Grocery - Xmas	173.16	Grantee App Mtg	Grantees - 100 attendees
3581-513-80040	AMEX - Other Expenses	12/16/2005	3537	Shop and Save Grocery - Xmas	15.91	Grantee App Mtg	Grantees - 100 attendees
3581-513-80040	AMEX - Other Expenses	11/14/2005	3514	Staub's (grocery)	81.28	Ex Board Mtg Refresh	Exec Board
3581-513-80040	AMEX - Other Expenses	11/15/2005	3514	Big Sky Café	72.30	Ex Board Mtg - MORA	DB, Duvall, Adams, Dunnam
3581-513-80040	AMEX - Other Expenses	11/17/2005	3514	Staub's (grocery)	18.51	MORA Conf Plan Mtg	MORA Board, Volunteers
3581-513-80040	AMEX - Other Expenses	11/30/2005	3514	CJ Muggs - Food and Bev.	39.67	Grant App Mtg	DB, Yost, Wells
3581-513-80040	AMEX - Other Expenses	12/5/2005	3514	Boogaloo - Food and Bev.	33.65	Chair Admin Mtg	DB, Wagner
3581-513-80040	AMEX - Other Expenses	11/16/2005	3514	Michaels Bar and Grill	26.76	America Recycles Expo	Adams, Shelby, Hamilton
3581-513-80040	AMEX - Other Expenses	12/8/2005	3514	Schlaflly Bottleworks	33.31	Grant App Staff Mtg	DB, Adams, Shelby, Deinbo
3581-513-80040	AMEX - Other Expenses	12/9/2005	3514	Harry and David - Food/Fruit/Gourmet	193.14	HR Dept Yr End	HR Dept, MOBOT
3581-513-80040	AMEX - Other Expenses	10/17/2005	3482	Staub's (grocery)	59.86	Paper Products Mtg	Grantees
3581-513-80040	AMEX - Other Expenses	10/18/2005	3482	Sunset 44 Restaurant	30.83	Ex Board Officers Mtg	DB, Yost
3581-513-80040	AMEX - Other Expenses	10/19/2005	3482	Talayas at the Park - Food and Bev.	23.66	Commercial Recycling	DB, Jackson, FOX Sports Net
3581-513-80040	AMEX - Other Expenses	10/20/2005	3482	Mango Restaurant	39.96	Ex Board Officers Mtg	DB, Duvall
3581-513-80040	AMEX - Other Expenses	10/26/2005	3482	Cheesecake St. Louis - Food and Bev.	78.04	StL Co Ordnce Recycling	DB, Gilliam, Haasis
3581-513-80040	AMEX - Other Expenses	11/3/2005	3482	Shop and Save grocery	22.30	Office/Mtg Supplies	Staff, Grantees
3581-513-80040	AMEX - Other Expenses	11/8/2005	3482	St Louis Bread	29.92	Database Mtg	HazWaste, Fox, Shelby
3581-513-80040	AMEX - Other Expenses	10/14/2005	3482	Dierberg Florist	51.62	Serious III - Staff Family	
3581-513-80040	AMEX - Other Expenses	9/12/2005	3444	King Doh Restaurant	27.00	District Staff Mtg	DB, Shelby, Adams, Deinbo
3581-513-80040	AMEX - Other Expenses	9/15/2005	3444	Bandanas BBQ	22.73	Ex Board Officers Mtg	DB, Brown
3581-513-80040	AMEX - Other Expenses	9/19/2005	3444	PF Changs - Food and Bev.	75.80	Receipt Misplaced	
3581-513-80040	AMEX - Other Expenses	9/20/2005	3444	Straub's (grocery)	50.29	Ex Board Mtg	Exec Board
3581-513-80040	AMEX - Other Expenses	9/23/2005	3444	Gevalia	30.15	Bulk Coffee	
3581-513-80040	AMEX - Other Expenses	10/3/2005	3444	Soulards - Food and Bev.	78.15	District Staff Mtg	DB, Shelby, Adams, Deinbo
3581-513-80040	AMEX - Other Expenses	10/4/2005	3444	Brandt's Market - Food and Bev.	44.04	Chair Admin Mtg	DB, Wagner
3581-513-80040	AMEX - Other Expenses	10/8/2005	3444	Maya Café	24.18	Public Ed Planning Mtg	DB, Farrell
3581-513-80040	AMEX - Other Expenses	9/8/2005	3444	Cypress Grille - Food and Bev.	20.00	MORA Conf Mtg	Adams, Shelby
3581-513-80040	AMEX - Other Expenses	8/17/2005	3410	Gevalia	19.95	Bulk Coffee	
3581-513-80040	AMEX - Other Expenses	8/25/2005	3410	O'Charley's - Food and Bev.	33.93	Ex Board Officers Mtg	DB, Yost
3581-513-80040	AMEX - Other Expenses	8/31/2005	3410	Cheesecake St. Louis - Food and Bev.	32.93	Electronic Recycling Mtg	DB, Haasis
3581-513-80040	AMEX - Other Expenses	9/6/2005	3410	Schlaflly Bottleworks - Food and Bev.	44.33	Electronic Recycling Mtg	DB, Duvall, Wagner
3581-513-80040	AMEX - Other Expenses	9/8/2005	3410	Limestones - Food and Bev.	80.58	MORA Conf Planning Mtg	MORA Board, Volunteers
3581-513-80040	AMEX - Other Expenses	8/17/2005	3410	Shop and Save grocery	25.43	Paper Products/Office	
3581-513-80040	AMEX - Other Expenses	9/2/2005	3410	Pizza World	33.03	District Staff Mtg	DB, Adams, Shelby, Deinbo
3581-513-80040	AMEX - Other Expenses	9/3/2005	3410	Michaels Bar and Grill	53.00	Grant Admin - Parkway	Adams, Shelby, Deinbo, Guinther
3581-513-80040	AMEX - Other Expenses	7/14/2005	3367	Bandanas BBQ	22.00	Site Visits - Jeff County	DB, Duvall
3581-513-80040	AMEX - Other Expenses	7/18/2005	3367	Straub's (grocery)	78.08	Ex Board Mtg	Exec Board
3581-513-80040	AMEX - Other Expenses	7/19/2005	3367	Straub's (grocery)	14.79	Ex Board Mtg	Exec Board
3581-513-80040	AMEX - Other Expenses	7/26/2005	3367	Chill's - Food and Bev.	35.95	Ex Board Officers Mtg	DB, Yost
3581-513-80040	AMEX - Other Expenses	8/2/2005	3367	Goody Goody Diner - Food and Bev.	40.00	StL Co SW Plan Mtg	Hamilton, Yates, DB, Duvall
3581-513-80040	AMEX - Other Expenses	8/3/2005	3367	Wolfgang Puck Restaurant	31.82	Recycle Partic. Study	Siders, Fox, DB
3581-513-80040	AMEX - Other Expenses	7/21/2005	3367	Macaroni Grill - Food and Bev.	87.00	Staff Mtgs - Admin Mtgs	DB, Adams, Shelby, Deinbo
3581-513-80040	AMEX - Other Expenses	7/27/2005	3367	Favazzasinc - Food and Bev.	204.06	Electr. Task Force Mtg	12 attendees
3581-513-80040	AMEX - Other Expenses	6/15/2005	3326	Schlaflly Bottleworks - Food and Bev.	22.00	Grant App Consult Mtg	DB, Martinez
3581-513-80040	AMEX - Other Expenses	6/17/2005	3326	Limestones - Food and Bev.	50.09	Single-Stream Recycle	DB, Prakop

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St. Louis-Jefferson Solid Waste Management District  
Questionable Expenditures for Food and Travel  
For the Two Years Ended December 31, 2006

SCHEDULE II

Account ID	Account Description	Transaction Date	Check Number	Transaction Description	Transaction Amount	District Response Activity	District Response Attendees
3581-513-80040	AMEX - Other Expenses	6/22/2005	3326	Amic's Restaurant	26.80	Ex Board Officers Mtg	DB, Yost
3581-513-80040	AMEX - Other Expenses	6/28/2005	3326	Rosener's Rest - Food and Bev.	29.66	Grant App Consult Mtg	DB, Alesandrini
3581-513-80040	AMEX - Other Expenses	7/5/2005	3326	Helen Fitzgerald's - Food and Bev.	29.00	Grant Admin Mtg	DB, Imig
3581-513-80040	AMEX - Other Expenses	7/7/2005	3326	Straub's (grocery)	19.97	Coffee & Supplies	Grantees
3581-513-80040	AMEX - Other Expenses	7/7/2005	3326	Aris Restaurant	25.70	EIERA/District Grant Mtg	DB, Fox
3581-513-80040	Other Expenses	6/22/2005	3303	The Art of Entertaining - Catered Food	240.44	Regional Educators Mtg	15 Attendees
3581-513-80040	AMEX - Other Expenses	5/16/2005	3278	Straub's (grocery)	12.60	Ex Board Mtg	Exec Board
3581-513-80040	AMEX - Other Expenses	5/17/2005	3278	Straub's (grocery)	49.79	Ex Board Mtg	Exec Board
3581-513-80040	AMEX - Other Expenses	5/25/2005	3278	Sunset 44 Restaurant	35.06	Ex Board Officers Mtg	DB, Yost
3581-513-80040	AMEX - Other Expenses	5/26/2005	3278	Cheesecake St. Louis - Food and Bev.	63.13	Legislative Mtg	DB, Farroll, Duvall
3581-513-80040	AMEX - Other Expenses	6/2/2005	3278	Olympia Keboh House - Food and Bev.	28.55	Muni League Mtg	DB, Fox
3581-513-80040	AMEX - Other Expenses	6/3/2005	3278	Olive Garden - Food and Bev.	36.01	Ex Board Member Orienta	DB, Primer
3581-513-80040	AMEX - Other Expenses	5/26/2005	3278	O'Charley's - Food and Bev.	18.06	Site Visits - State Audit	Adams
3581-513-80040	Other Expenses	6/16/2005	3276	Food and Drinks for Recycling Workshop	213.18	Muni League Conf	Muni Officials - 50 attendees
3581-513-80040	AMEX - Other Expenses	4/15/2005	3256	Olive Garden - Food and Bev.	42.19	Ex Board Member Recruit	DB, Primer
3581-513-80040	AMEX - Other Expenses	4/25/2005	3256	Straub's (grocery)	25.83	Paper Products, coffee	Grantees
3581-513-80040	AMEX - Other Expenses	4/25/2005	3256	Schlaflly Bottleworks - Food and Bev.	40.42	Choose Env Ex Mtg	DB, Michaels
3581-513-80040	AMEX - Other Expenses	5/2/2005	3256	Helen Fitzgerald's - Food and Bev.	64.24	Elec Recy Co-Spon Mtg	Salvo, Wagner, Yates, Duvall
3581-513-80040	AMEX - Other Expenses	4/20/2005	3256	Dierberg Florist	56.95	Illness or Memorial	Previously Withheld
3581-513-80040	AMEX - Other Expenses	5/9/2005	3256	Southwest Airlines (Executive Director Family Members)	1,025.40	Reimbursed	
3581-513-80040	AMEX - Other Expenses	3/23/2005	3209	Cheesecake St. Louis - Food and Bev.	55.07	Ex Board Officers Mtg	DB, Duvall, Wagner
3581-513-80040	AMEX - Other Expenses	3/24/2005	3209	Schlaflly Bottleworks - Food and Bev.	29.39	Choose Env Ex Mtg	DB, Long
3581-513-80040	AMEX - Other Expenses	3/31/2005	3209	San Sai Japanese - Food and Bev.	28.65	Healthy Planet Eday Mtg	DB, Lester
3581-513-80040	AMEX - Other Expenses	3/14/2005	3209	Dierberg Florist	62.29	Illness or Memorial	Previously Withheld
3581-513-80040	AMEX - Other Expenses	3/14/2005	3209	Shop and Save Grocery	17.55	Ex Board Mtg	Exec Board
3581-513-80040	AMEX - Other Expenses	4/5/2005	3209	rosener's Rest - Food and Bev.	19.15	Video Shooting Fieldwork	Martinez, Shelby
3581-513-80040	AMEX - Other Expenses	2/12/2005	3161	Maya Cafe - Food and Bev.	40.08	Muni Recycling Conf Plan	DB, Fischesser, Hawkins
3581-513-80040	AMEX - Other Expenses	2/16/2005	3161	Bandanas BBQ	18.06	Ex Board Officers Mtg	DB, Brown
3581-513-80040	AMEX - Other Expenses	2/21/2005	3161	Kayaks Coffee - Food and Bev.	14.18	Bulk Coffee, Chair Mtg	DB, Wagner
3581-513-80040	AMEX - Other Expenses	2/25/2005	3161	Sunset 44 - Food and Bev.	54.71	Church Recycling Proj	DB, Yost
2221-513-80040	AMEX - Local out of Town	2/27/2005	3161	Courtyard - Las Vegas hotel (check in Sat, depart Sun.)	162.41	3 Nights, 2 People	DB, Wagner
3581-513-80040	AMEX - Other Expenses	2/25/2005	3161	Dierberg Florist	116.17	Memorial	Previously Withheld
3581-513-80040	AMEX - Other Expenses	1/15/2005	3135	Straub's (grocery)	25.06	Ex Board Mtg	Exec Board
3581-513-80040	AMEX - Other Expenses	1/15/2005	3135	Michaels Bar and Grill	71.10	Ex Board Mtg	Exec Board/Staff
3581-513-80040	AMEX - Other Expenses	1/21/2005	3135	Michaels Bar and Grill	35.56	CORA Research Proj	DB, Kadar, Frank
3581-513-80040	AMEX - Other Expenses	1/24/2005	3135	Helen Fitzgerald's - Food and Bev.	27.42	Muni Recycling Mtg	DB, Imig
3581-513-80040	AMEX - Other Expenses	2/1/2005	3135	Shop and Save Grocery	16.97	Strat Plan Coffee Supply	Exec Board
3581-513-80040	AMEX - Other Expenses	2/2/2005	3135	Starbucks	10.83	Chair Admin Mtg	DB, Wagner
3581-513-80040	AMEX - Other Expenses	2/7/2005	3135	Applebees	49.28	Muni Recycling-Ballwin	DB, LaMantia, Klein, Kuncie
3581-513-80040	AMEX - Other Expenses	2/9/2005	3135	CJ Muggs - Food and Bev.	33.63	Ex Board Officers Mtg	DB, Duvall
3581-513-80040	AMEX - Other Expenses	2/1/2005	3135	Schlaflly Bottleworks - Food and Bev.	62.29	Ex Board Stat Mtg	Exec Board
3581-513-80040	AMEX - Other Expenses	2/3/2005	3135	Cheesecake St. Louis - Food and Bev.	215.52	CORA Project Wrap-up	Frank, Kadar, Staff
3581-513-80040	AMEX - Other Expenses	1/4/2005	3091	Schlaflly Bottleworks - Food and Bev.	53.88	CORA Project Mtg	Kadar, Hamilton, Large, Adams
3581-513-80040	AMEX - Other Expenses	1/6/2005	3091	O'Charley's - Food and Bev.	24.44	Ex Board Officers Mtg	DB, Duvall

Food and Travel Expenditures for 2005 6,072.00

Total Food and Travel Expenditures for Review Period 10,950.32

SCHEDULE II  
(Continued)

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St. Louis-Jefferson Solid Waste Management District  
Questionable Legal and Lobbying Expenditures  
For the Two Years Ended December 31, 2006

SCHEDULE III

Account ID	Account Description	Transaction Date	Check Number	Transaction Description	Transaction Amount	District Response Justification For Expense
2011-514-80021	Exp Prof. Svc Unrest Interest	11/27/2006	3893	Lathrop & Gage - Legal Services	85.50	Audit Resolution Plan Admin Issues
2011-514-80021	Exp Prof. Svc Unrest Interest	12/7/2006	3910	Thompson Coburn - Legal Services	4,023.70	Audit Resolution Plan Admin Issues
2011-514-80021	Exp Prof. Svc Unrest Interest	10/31/2006	3860	Lathrop & Gage - Legal Services	846.00	Audit Resolution Plan Admin Issues
2011-514-80021	Exp Prof. Svc Unrest Interest	11/10/2006	3862	Thompson Coburn - Legal Services	1,295.88	Audit Resolution Plan Admin Issues
2011-514-80022	Exp Prof. Svc Admin Match	11/10/2006	3862	Thompson Coburn - Legal Services	3,445.77	Audit Resolution Plan Admin Issues
2011-514-80022	Exp Prof. Svc Admin Match	10/26/2006	3846	Curtis Heinz Garrett - Legal Services	448.00	Audit Resolution Plan Admin Issues
2011-514-80022	Exp Prof. Svc Admin Match	10/13/2006	3845	Thompson Coburn - Legal Services	4,372.00	Audit Resolution Plan Admin Issues
				Legal Expenditures for the period 9/6/06 Through 12/31/06	<u>14,516.85</u>	
2011-514-80022	Exp Prof. Svc Admin Match	8/31/2006	3811	Curtis Heinz Garrett - Legal Services	400.00	General Legal and State Audit Response Review
2011-514-80025	Exp Prof. Svc Admin Curr	7/31/2006	3757	Curtis Heinz Garrett - Legal Services	592.00	General Legal and State Audit Response Review
2011-514-80025	Exp Prof. Svc Admin Curr	7/21/2006	3737	Curtis Heinz Garrett - Legal Services	16.00	General Legal and State Audit Response Review
2011-514-80025	Exp Prof. Svc Admin Curr	5/26/2006	3709	Curtis Heinz Garrett - Legal Services	384.00	General Legal and State Audit Response Review
2011-514-80025	Exp Prof. Svc Admin Curr	4/28/2006	3668	Curtis Heinz Garrett - Legal Services	592.00	General Legal and State Audit Response Review
2011-514-80025	Exp Prof. Svc Admin Curr	4/28/2006	3658	Curtis Heinz Garrett - Legal Services	256.00	General Legal and State Audit Response Review
2011-514-80025	Exp Prof. Svc Admin Curr	2/8/2006	3613	Curtis Heinz Garrett - Legal Services	96.00	General Admin Legal Services
2011-514-80025	Exp Prof. Svc Admin Curr	1/18/2006	3560	Curtis Heinz Garrett - Legal Services	528.00	General Admin Legal Services
2011-514-80025	Exp Prof. Svc Admin Curr	1/6/2006	3524	Curtis Heinz Garrett - Legal Services	16.00	General Admin Legal Services
				Legal Expenditures for the period 1/1/06 Through 9/5/06	<u>2,880.00</u>	
2011-514-80022	Exp Prof. Svc Admin Match	12/23/2005	3518	Gamble and Schlemeier - Lobbying Services	1,250.00	Preserve \$400,000 - Prior Withholding by DNR
2011-514-80022	Exp Prof. Svc Admin Match	12/1/2005	3509	Policy Solution - Lobbying and Governmental Affairs	5,000.00	Preserve \$400,000 - Prior Withholding by DNR
2011-514-80024	Exp Prof. Svc Admin Prior Yr	10/12/2005	3430	Curtis Heinz Garrett - Legal Services	112.00	General Admin Legal Services
2011-514-80022	Exp Prof. Svc Admin Match	9/28/2005	3409	Gamble and Schlemeier - Lobbying Services	3,750.00	Preserve \$400,000 - Prior Withholding by DNR
2011-514-80024	Exp Prof. Svc Admin Prior Yr	9/12/2005	3395	Curtis Heinz Garrett - Legal Services	64.00	General Admin Legal Services
2011-514-80024	Exp Prof. Svc Admin Prior Yr	7/7/2005	3305	Curtis Heinz Garrett - Legal Services	352.00	General Admin Legal Services
2011-514-80022	Exp Prof. Svc Admin Match	6/21/2005	3289	Gamble and Schlemeier - Lobbying Services	3,750.00	Preserve \$400,000 - Prior Withholding by DNR
2011-514-80024	Exp Prof. Svc Admin Prior Yr	6/16/2005	3270	Curtis Heinz Garrett - Legal Services	240.00	General Admin Legal Services
2011-514-80024	Exp Prof. Svc Admin Prior Yr	6/16/2005	3272	Shulamith Simon Attorney - Legal Services	122.50	General Admin Legal Services
2011-514-80024	Exp Prof. Svc Admin Prior Yr	2/1/2005	3102	Shulamith Simon Attorney - Legal Services	385.00	General Admin Legal Services
2011-514-80024	Exp Prof. Svc Admin Prior Yr	3/25/2005	3162	Shulamith Simon Attorney - Legal Services	87.50	General Admin Legal Services
2011-514-80022	Exp Prof. Svc Admin Match	3/25/2005	3164	Gamble and Schlemeier - Lobbying Services	3,750.00	Preserve \$400,000 - Prior Withholding by DNR
				Legal and Lobbying Expenditures for 2005	<u>18,863.00</u>	
				Total Legal and Lobbying Expenditures For the Review Period	<u>36,259.85</u>	

SCHEDULE III

St. Louis-Jefferson Solid Waste Management District  
 Questionable Expenditures for Artwork, Books and Subscriptions  
 For the Two Years Ended December 31, 2006

SCHEDULE IV

Account ID	Account Description	Transaction Date	Check Number	Transaction Description	Transaction Amount	District Response Explanation For Expenditures
3581-513-80040	Other Expenses	10/7/2006	681	Stone Hollow Studio	21.23	Service Recognition for Chairman
3581-513-80040	Other Expenses	9/25/2006	3800	Mike Mearthy of Photozarks	72.00	2007 Office Calendars (6)
3561-513-80040	Subscriptions and Pubs	2/24/2006	3597	Portland State University Subscription	34.95	Grantwriting Resource Book
3561-513-80040	Subscriptions and Pubs	1/20/2006	3539	UTNE Reader	31.99	Programatic and Admin Periodical
3561-513-80040	Subscriptions and Pubs	1/27/2006	3544	Consumer Report Subscription	26.00	Reference Guide Effective Purchasing
3561-513-80040	AMEX - Subs and Pubs	10/26/2006	3885	Salon Media Group	30.00	Programatic and Admin E-Magazine
3561-513-80040	AMEX - Subs and Pubs	2/10/2006	3615	Borders Books	19.20	Programatic and Admin Books
3561-513-80040	AMEX - Subs and Pubs	3/4/2006	3615	Borders Books	8.50	Programatic and Admin Books
3561-513-80040	AMEX - Subs and Pubs	1/14/2006	3589	Borders Books	24.95	Programatic and Admin Books
3581-513-80040	AMEX - Subs and Pubs	1/2/2006	3537	Alpine Shop - Book	14.92	2006 Office Calendar
3561-513-80040	AMEX - Subs and Pubs	1/10/2006	3537	Barnes and Noble Bookstore	52.19	Programatic and Admin Books
2011-514-80021	Mural	1/30/2006	3551	On the Wall! Productions - mural	1,800.00	Collaboration Center Prep Previously Withheld
Artwork, Books and Subscriptions for 2006					<u>2,145.93</u>	
3561-513-80040	AMEX - Subs and Pubs	12/22/2005	3537	Borders Books	23.96	Programatic and Admin Books
3581-513-80040	Other Expenses	12/13/2005	3502	Mike Mearthy of Photozarks	209.00	Legislator Update Cards
3561-513-80040	Subscriptions and Pubs	11/22/2005	3484	The Orion Society	35.00	Programatic Environmental Journal
3561-513-80040	Subscriptions and Pubs	11/22/2005	3488	The Chronicle of Philanthropy	29.97	Grant Management Resource Journal
3581-514-80021	Other Expense	11/22/2005	3490	It's Graphics - 12 pictures	90.00	Ex Board Member Appreciation Cards
3561-513-80040	Subscriptions and Pubs	8/18/2005	3365	Yes Journal	34.00	Programatic and Admin Journal
3561-513-80040	Subscriptions and Pubs	8/18/2005	3365	Newsweek	40.00	Current Events Periodical
3581-514-80023	Other Expense	4/28/2005	678	William McNamara - 1 picture	106.00	Office Furnishings Previously Withheld
3581-514-80023	Other Expense	4/30/2005	678	The Picture Mart Inc.	253.50	Office Furnishings Previously Withheld
3561-513-80040	Subscriptions and Pubs	11/28/2005	3514	Borders Books	11.96	Programatic and Admin Books
3561-513-80040	Subscriptions and Pubs	11/29/2005	3514	Borders Books	28.39	Programatic and Admin Books
3561-513-80040	Subscriptions and Pubs	12/6/2005	3514	Peace Nook	121.36	Programatic and Admin Books
3561-513-80040	Subscriptions and Pubs	12/6/2005	3514	Peace Nook	17.25	Programatic and Admin Books
3561-513-80040	Subscriptions and Pubs	10/27/2005	3482	Salon Media Group	30.00	Programatic and Admin E-Journal
3581-513-80040	AMEX - Other Expenses	11/7/2005	3482	Wal Mart movie - VHS purchase	23.43	Resource DVD
3561-513-80040	Subscriptions and Pubs	9/18/2005	3444	Barnes & Noble	48.25	Programatic and Admin Books
3561-513-80040	Subscriptions and Pubs	8/18/2005	3410	Borders Books	19.96	Programatic and Admin Books
3561-513-80040	Subscriptions and Pubs	9/4/2005	3410	Borders Books	16.54	Programatic and Admin Books
3581-513-80040	AMEX - Other Expenses	9/7/2005	3410	Mystic Valley	13.93	2006 Appointment Calendar
3561-513-80040	Subscriptions and Pubs	7/9/2005	3326	Borders Books	38.31	Programatic and Admin Books
3561-513-80040	Subscriptions and Pubs	5/23/2005	3278	Barnes & Noble	32.05	Programatic and Admin Books
3561-513-80040	Subscriptions and Pubs	4/21/2005	3256	Wilder Foundation - Misc Publishing Print (books)	254.00	Admin Books Previously Withheld
4811-513-80040	Office Furn & Equip	2/17/2005	672	Cosby Artglass (Refinish Frame)	385.69	Office Furnishings Previously Withheld
4811-513-80040	Office Furn & Equip	2/11/2005	670	Barton Images	255.00	Office Furnishings Previously Withheld
4811-513-80040	Office Furn & Equip	2/14/2005	671	The Picture Mart Inc.	175.25	Office Furnishings Previously Withheld
3581-513-80040	Other Expense	5/7/2005	679	Fran Ann Engraving	48.00	Service Recognition for Board
3581-514-80021	Other Expense	11/22/2005	680	Conservation Federation - 5 coffee mugs	105.00	Office Furnishings Previously Withheld
3581-513-80040	Other Expense	7/18/2005	3324	Fran Ann Engraving	24.00	Service Recognition for Board
3561-513-80040	Subscriptions and Pubs	1/7/2005	3080	National Geographic Magazine	29.00	Current Events Periodical Previously Withheld
3561-513-80040	Subscriptions and Pubs	1/7/2005	3081	Time Magazine	29.95	Current Events Periodical Previously Withheld
3561-513-80040	Subscriptions and Pubs	2/4/2005	3116	The Economist Magazine	129.00	Current Events Periodical Previously Withheld
2011-514-80021	Mural	2/24/2005	3141	Off the Wall Productions - mural	1,200.00	Collaboration Center Prep Previously Withheld
2011-514-80021	Mural	3/9/2005	3150	Off the Wall Productions - mural	2,400.00	Collaboration Center Prep Previously Withheld
2011-514-80021	Mural	3/23/2005	3184	Off the Wall Productions - mural	600.00	Collaboration Center Prep Previously Withheld

SCHEDULE IV

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St. Louis-Jefferson Solid Waste Management District  
 Questionable Expenditures for Artwork, Books and Subscriptions  
 For the Two Years Ended December 31, 2006

SCHEDULE IV

Account ID	Account Description	Transaction Date	Check Number	Transaction Description	Transaction Amount	District Response Explanation For Expenditures
3561-513-80040	Subscriptions and Pubs	4/29/2005	3230	The Chronicle of Philanthropy	59.97	Grant Management Journal Previously Withheld
3561-513-80040	AMEX-Subs and Pubs	3/12/2005	3209	Borders Books	28.99	Books Previously Withheld
3561-513-80040	AMEX-Subs and Pubs	3/18/2005	3209	Stylus Publishing - Bookstore	78.00	Books Previously Withheld
3561-513-80040	AMEX-Subs and Pubs	3/21/2005	3209	Christian Science Monitor	27.00	Newspaper Previously Withheld
3561-513-80040	AMEX-Subs and Pubs	4/6/2005	3209	Peace Nook	29.99	Books Previously Withheld
3561-513-80040	AMEX-Subs and Pubs	2/22/2005	3161	Peace Nook	35.85	Books Previously Withheld
3561-513-80040	AMEX - Other Expenses	1/27/2005	3135	Nextten/Stauer - merchandise	68.85	Sunglasses for District Vehicle - Safety
3561-513-80040	AMEX - Subs and Pubs	2/4/2005	3135	Borders Books	146.36	Books Previously Withheld
3561-513-80040	AMEX - Subs and Pubs	2/8/2005	3135	Peace Nook	104.52	Books Previously Withheld
				Artwork, Books and Subscriptions for 2005	<u>7,437.28</u>	
				Total Artwork, Books and Subscriptions For the Review Period	<u>9,583.21</u>	

St. Louis-Jefferson Solid Waste Management District  
 Questionable Expenditures for Donations and Memberships  
 For the Two Years Ended December 31, 2006

SCHEDULE V

Account ID	Account Description	Transaction Date	Check Number	Transaction Description	Transaction Amount	District Response Justification For Expense
3590-513-80040	Donations and Support	10/10/2006	3823	Missouri Coalition/Environment	1,500.00	Event Sponsorship for Recycling Edu
3590-513-80040	Donations and Support	10/26/2006	3850	Earthways Donation and Support	1,500.00	Event Sponsorship for Recycling Edu
3551-513-80040	Memberships	6/23/2006	3722	Metropolitan Assoc. for Philanthropy	4,000.00	Staff Admin Training, Grantee Capacity Building
3590-513-80040	Donations and Support	5/11/2006	3676	Missouri Recycling Assoc.	5,000.00	Conf Sponsor, Membership, Attendance, Booth
				Donations and Memberships for 2006	<u>12,000.00</u>	
3590-513-80040	Donations and Support	9/20/2005	3403	Missouri Recycling Assoc.	1,000.00	2006 Recycling Educ Calendar Sponsorship
3590-513-80040	Donations and Support	8/1/2005	3337	St Louis Earth Day Donation	1,000.00	Sponsorship for Educ and Event Recycling
3590-513-80040	Donations and Support	8/22/2005	3368	The Open Space Council	1,500.00	Stream Clean-Up Educ and Recycling
3590-513-80040	Donations and Support	4/12/2005	3138	St Louis County Public Works	1,200.00	Project Lemay Neighborhood Dumping Clean-Up
3590-513-80040	Donations and Support	4/26/2005	3226	Missouri Coalition Environment	2,000.00	Event Sponsorship for Recycling Educ
				Donations and Memberships for 2005	<u>6,700.00</u>	
				Total donations and Membership for the Review Period	<u>18,700.00</u>	

**Performance Audit Exit Interview Responses  
St. Louis-Jefferson Solid Waste Management District**

These are Region L's written responses to the findings discussed at the audit exit conference. The responses are not in the same order as the findings on Schedule 1.

1. The District has **opened a second checking account** to use when funds in the first checking account exceed \$100,000.00. This account has been established at Commerce Bank. A copy of the account creation document is attached. This addresses this issue.
  
2. There are **no material conflicts of interest** in any of these instances. Jerry Brown experienced no personal gain from the grants mentioned, which provided resource materials for school recycling programs in Jefferson County. Copies of those proposal budgets are attached. Wendy Prakop does not work for the City of O' Fallon, and has no material conflict of issue with any grants to O' Fallon. Wendy works for the Fort Zumwalt School District. Finally, Jean Ponzi had no material interest in the grant to the Missouri Botanical Garden. The project had nothing to do with her division within the Garden. A statement from Jean Ponzi is attached. Each of those Board members could have voted for those proposals. There was no material conflict of interest.

The Board is moving to a higher standard, and will seek to avoid even an appearance of conflict in the future. Board members will not rank or vote for proposals that could have an appearance of conflict, even though there is no actual material conflict of interest.

The Executive Board adopted a Conflict of Interest Policy in 2003, which has been provided to the contract auditor. Individual statements were approved at the March 20, 2007 Executive Board meeting. These have been signed by Board members and staff, and will be updated annually. Copies of the forms are included.

The above information addresses these issues.

3. The District Executive Board **allocated the Administrative Fund balance** with the 2007 District Grant awards on March 20, 2007. This information was submitted by the District to DNR in March, 2007, and was approved on April 23, 2007. A copy of the email notification of approval is attached. That action addresses this issue.
  
4. **All of the jurisdictions comprising the District amended ordinances** to include St. Charles County, including adjusting the executive board seat allocations. Copies of these ordinances were reviewed by the contract auditor. The ordinances take precedence over the by-laws. The by-laws are scheduled for amendment at the May Executive board meeting. This addresses the issue

5. The fixed asset inventory for 2006 is completed as part of the annual independent audit process. Assets valued more than \$500.00 are included in the fixed asset listing. As required by generally accepted accounting principles, assets purchased with a useful life greater than one year are capitalized. To reduce the recordkeeping required for clearly insignificant purchases, a capitalization threshold was determined by the District which would include all significant assets purchased with a useful life greater than one year. The \$500.00 threshold was deemed a reasonable amount based on the size and operations of the District. ID tags and serial numbers will be added to the listing, even though the list references the source documentation related to the purchase. The artwork purchased in 2005 (mural) will be added to the fixed asset listing, however, will not be depreciated due to its unique nature, and the difficulty in determining an "estimated useful life". **The updated list with serial numbers and tags will be completed by May 31, 2007**, which will complete this issue.
6. Both **brochures are being reprinted with the DNR logo**. Copies have been attached to this response. That addresses this issue.
7. These **projects were funded as special projects utilizing interest funds**. DNR added those to the list of approved projects for 2005, and the District had no objection. Districts have had the authority to utilize interest funds for resource recovery projects. A copy of an authorization letter is attached. There is no additional information necessary.
8. The late fees in question in the total amount of \$22.00. They were not ineligible costs, and therefore were considered to be allowable. **In the future, any late fees incurred by a recipient that are not caused by an action of the District will not be reimbursed**. This new restriction will be included in all administrative meetings for the 2007 District grant round. That addresses this issue.
9. The District includes copies of amendments with each quarterly report to DNR as part of the normal operating procedures. The amendment for 2004048 was included with the quarterly report to DNR, but the amendment to 2005038 was inadvertently omitted. This is an isolated instance. District staff performed an additional review of all quarterly reports to double check for any omissions. No additional omissions were found. **This issue has been resolved with the transmission of the amendments**, which are attached again for informational purposes.
10. **This asset for Project 2005038 is secured and is included in all equipment inspections and reporting**. The initial piece of equipment was not performing to specifications, and was upgraded to a better piece of equipment. The UCC was filed on the improved equipment once it was delivered. A copy of both UCC forms is attached, which addresses this issue. New procedures discussed at the end of the response will address timeliness issues in the future.
11. **An amendment was requested and granted for Project 2005062 in January, 2007**. This will be included in the next quarterly report as done in accordance with the standard operating procedures. A copy of the amendment is attached for information purposes. This addresses this issue.

12. **The next quarterly report to DNR will include the diversion figures** reported by the recipient for Project 2005062. Copies of the diversion numbers submitted by the grantee are attached. This addresses this issue.

13. Once the District has approved an amendment, the grantee is authorized to proceed. Amendments are generally returned in a timely manner, but this one was not returned for an extended period. **The District will more closely follow-up with grantees to assure that amendments are returned in a timely manner.** There is nothing else needed to address this issue.

14. This is a minor procedural matter. The District has always notified DNR staff if reports were late, but did not save any documentation prior to 2006. **The District will be sure project reports are received within the 30 day period, or an extension requested.** If necessary, overnight mail will be used to ensure compliance. DNR staff has stated that our district is one of the best districts for submission of quarterly reports. There is nothing to address regarding this issue.

15. The fact that no additional payments were made during the period of the agreement shows evidence that the contract was terminated, and it is noted that the term of the agreement has also expired. Additionally, **a copy of an e-mail notification of termination for the contract is attached for informational purposes.** That addresses this issue.

16. Two signatures are always required for any grant payment, a policy established by the Executive Board when the District started its own checking account. The \$2,000.00 limit was set so that normal operating expenses, such as rent, phone, etc can be paid on a timely basis without having to have the chairperson or district staff incur unnecessary time and travel. The District considers the \$2,000.00 dual signature limit to be sufficient, while providing adequate authoritative approval on cash disbursements. Additionally, all subrecipient grant payments require dual signatures on the checks. **The District Chairperson meets with the Executive Director at least once a week to sign checks. Both operating and grant checks are signed at that time.** Almost all checks receive two signatures. This additional detail explains the system and addresses the issue.

17. From a historical perspective, solid waste management districts have always been administratively housed within another organization. There was no other practical way to begin the programs. Many of the districts utilized their regional planning commissions. This was the result of the decision by DNR to establish solid waste management regions in Missouri to correspond to regional planning commission boundaries. It was widely recognized that this was the most practical approach to establish solid waste management districts. It still makes sense for districts to be nested within compatible organizations, and the original associations are generally still viable and have continued unchanged.

In the St. Louis region, the District was formed through the efforts of St. Louis County, and the county was the original administrative host. Hosting continued for about eight years, including payroll, benefits, housing, etc. Eventually, however, the County needed the space it had been providing, and the District lost the administrative services and free office space that had been donated by St. Louis County for many years.

The District saw this as a unique professional circumstance, seeking an administrative home for the four staff directly employed by the District. The District needed payroll and benefit services for the staff employed directly by the District, and the District was not seeking an entity to provide general administrative services. This was also a situation of seeking an organization that would even be willing to provide this service. Payroll services would have been quite costly, and would not have included staff benefits. The District approached three organizations that were regional in nature, not political jurisdictions, and complementary in their missions. These organizations were the East- West Gateway Coordinating Council, University of Missouri, and the Missouri Botanical Garden. The analysis included both costs and willingness, and the Botanical Garden was the best choice in both regards. **This was a simple business decision, using a competitive process that accommodated these unique professional circumstances.** Minutes documenting the process are attached.

There are no material conflict of interest issues. Garden education and recycling programs that had been funded by the District were active prior to the payroll and benefits services, and the status did not change afterwards. Educational awards have actually decreased, as has support for plastic pot recycling and education. The contract auditor reviewed the proposals, and commented on the strength of those projects. Those projects have always been able to stand on their own merits. Additionally, the District also factored the tremendous and impeccable international reputation of the Missouri Botanical Garden as a strong reason for undertaking the business association.

District staff and Executive Board members have never been approached by anyone from the Garden regarding any grant proposal. The District would not tolerate that kind of interference, and the Executive Board has adopted conflict of interest, whistleblower, and code of ethics policies. Finally, board members and staff are accomplished professionals with extensive professional experience. Attempts to influence decision-making would be immediately addressed in an appropriate manner. This is not an issue.

18. Annual audits have historically been due to DNR within 120 days from the close of the state fiscal year. A copy of the letter of interpretation is attached for information. This changed in the 2006 District grant agreements, affecting 2006 funding. Prior years of district grant agreements always referenced the state fiscal year. The District had received no 2006 funds during the 2005 fiscal year period. The financial audit for 2005 addressed funds received for prior fiscal years, which contained audit requirements based on the state fiscal year, not a District's fiscal year. The District was not out of compliance with the audit requirements for the fiscal year agreements for which it had received funding. If the District had received any 2006 funds, the audit of those funds would have been late, however, no 2006 funds were received as of the time of the audit. At

any rate, **the audit report was submitted to DNR**, and the issue is settled.

The change of audit reporting periods has caused problems for the Districts in general, both from a management and financial perspective. An earlier due date will increase our costs by approximately 20%. It appears that DNR has recognized this issue as evidenced by the fact that the proposed amendment to the rule contains a 180 day period to complete the audit, and ties that schedule to the period being audited. This eliminates the majority of problems districts were experiencing from the change in terms in the 2006 district grant agreements.

**19. Final reports for both 2004060 and 2004054 have been provided to DNR**, and the issue has been addressed. Staff have been including final reports in regular quarterly report submissions to DNR, and had not been sending them separately. However, this requirement needs to be addressed in the proposed amendment to the District grant rule, and it is difficult to determine if the proposed rule adequately addresses final report issues.

From a practical standpoint, project activity related to a grant will cease at the point of termination for the FAA and any amendments extending the project period. However, it will take a period of time from that point for all documentation to be secured, and a final report submitted to the District from the recipient. Additional time is needed for the District to review the documentation, request additional documentation, make any final payment, etc. This process takes time, and it may take two to three months to close out a grant properly after the period of the FAA has expired. This is necessary and appropriate. Final reports should simply be included with regular quarterly reports submitted to DNR.

Consequently, the District recommends that final reports not be handled separately with an arbitrary 30 day deadline, and that final reports simply be included in the next regular quarterly report submission to DNR. That could mean that a final report may not be received until the end of the second quarterly reporting period that occurs after the FAA has expired, but that is necessary for all final reporting, documentation, and District closeout to be completed.

**20. District staff did make a reimbursement that slightly exceeded the 85% threshold prior to receipt of the final report.** Staff misinterpreted a report to interpret that it was a final report. Project 2004054 has since been closed, and the issue is resolved. It was a mistake, and the staff will insure that it does not happen again.

Additionally, the District's 2006 independent audit fieldwork is complete, and no additional instances of this mistake were noted in the 25 grants undergoing review in that audit. The District is confident that it was an isolated instance with little chance of happening again.

21. This issue addressed a couple of competitive bidding situations. With regards to projects 2005038 and 2006034, these were partnership efforts with a sole source provider. The plastic pot recycling program has evolved over time to expand from just collection to a demonstration of closed loop recycling with a strong educational component. The collected plastic pots were processed into recycled plastic lumber for resale as raised garden beds. **There is only one plastic lumber manufacturer available to perform this service**, which is common knowledge to professionals in the recycling field. An e-mail from the Missouri Market Development Program is attached to this response as documentation of the sole source status. This addresses those projects.

**Competitive Bids were solicited for containers in Project 2005056.** A copy of the bid summary is attached to address this issue.

Project 2004054 is also discussed in item 23, and the issue will be discussed in its entirety under that item.

22. **A security interest has been obtained for Project 2005062.** This was for a small asphalt pad needed to sit under composting equipment. While included as a site improvement in the agreement, staff treated it as an installation cost for the equipment. The improvement has no practical use outside of the equipment, and it would more properly be viewed as an installation component. A copy of the Deed of Trust is attached to address this issue.

23. Project 2004054 is a unique project that is a minor part of the overall operations of a grantee that is nearing completion of a lengthy process of relocation to a reclaimed brownfield site. This has been a long, complicated and challenging process for the grantee. The description by the contract auditor in comments 21 and 23 are not exactly correct, and this situation will now be discussed in detail.

The grantee, Remains, is a textile recycler that has been operating in an inadequate location for a number of years. They searched for several years for a suitable location that was affordable, with no luck. Cost issues, zoning issues, etc kept derailing potential sites. Ultimately, they chose to utilize a brownfield site that would suit their needs, once it could be remediated and cleared for usage. This process has taken several years, and great expense. Additionally, once the site was available for use, Remains needed to sell its building in order to be able to move into the new location. In the meantime, they still need to keep their business going in their present location in a challenging business climate. They have managed to accomplish all this, which is a major feat in itself.

The tear line line project, Project 2004054 is a unique project occurring nowhere in the Midwest. Initially, the equipment was purchased and main components installed. This occurred during a window of availability for the only installer available for this highly specialized system, which necessitated using their existing electrical contractor due to the time constraints. A letter discussing this process is attached, and was previously provided. The equipment was installed, tagged as part of the regular security procedures, and utilized in operations with diversion reported. The rest of the system could not be fit

into the existing space, and a business decision was made to take the line out of operation until it can be installed in its entirety at the new location. At that point it was packed into storage for moving to the new facility, though some of the components remain in operation at the existing facility. This was when the contract auditor visited the site.

Currently, Remains has signed a contract to sell their existing location on April 26, 2007. A copy of a letter from Remains attesting to the sale date is attached. The sale was finalized on April 26, 2007, and an e-mail notification from Remains is attached. This will enable them to move their operations to the new location. The main line will be installed first, and the shredding tear line will be installed afterwards, as the final remediation and construction is completed on the new site. Additionally, a new security agreement has been signed with Remains on the equipment purchased with District funds. Security agreements remain on file for five years with the Secretary of State unless released sooner by the lienholder. This will allow ample time for the equipment to be utilized as intended while the District retains a secured position. A copy of the new security agreement is attached for your information.

The District's partnership with Remains has been long and challenging. The District is gratified that everything is finally working out. Our ability to be patient and persistent has been a key part of the success of this effort, especially the dual purpose of a successful brownfield renovation. These tough projects are where District help can make a huge impact, and are the type of project we should support. **The equipment has been secure throughout this time, has been in use, and will begin to be used again as part of a revitalized operation serving multiple public goals at the final location.** This addresses this issue.

**General Comment on Items 24-27** — The District notes that DNR has previously withheld \$63,051.00 in funds, without any review of specific expenditures. A copy of the letter informing the district of the withholding is attached. The District disagreed with the withholding, and appealed the decision, but DNR chose not to address the technical merits of the issue. Any questioned expenditures should be compared with an itemized list of expenditures that were included in the prior action. It appears that many of same things would appear, but it does not appear that there was an itemized list. This is one of the reasons the District appealed the action, in addition to the fact that all expenditures were justifiable costs of District operations. The District has attempted to indicate items that most likely would have been included in the initial withholding.

**24. Food and travel expenses are appropriate to the District mission to expand waste reduction and recycling.** One high ranking DNR staff person recently stated that the District could not do what it is supposed to do if it didn't provide food. The District is charged to foster collaboration and partnerships, educate, provide technical assistance, etc. Marketing and promotion of recycling are primary purposes of the District. Our job is to persuade and assist in getting people to do things that they are not required to do. It can be very challenging. In almost 15 years of experience, the District has found food to be a highly effective tool to use to help educate, promote and assist in growing the recycling industry. The District does not provide baseball tickets, liquor, etc. Food is the least expensive tool for marketing and promotion. The District spends less than 1% of its

operating budget for these costs, well within accepted outlays for organizations with significant marketing, promotional, educational components to their mission.

Generally, food is provided for group meetings, when meeting with volunteers who donate time and resources to expand recycling, when meeting with volunteer board members, when meeting with those of limited means who are providing professional services to expand recycling, and meeting with individuals who may be potential grant applicants. Food is not provided at every meeting. District staff are out in the community as much as possible to promote, educate and assist in the expansion of recycling.

There is a huge challenge facing the St. Louis region to facilitate the implementation of single-stream residential recycling, and high degrees of community involvement and interaction will be required for the next several years. Additionally, much of the "low-hanging" fruit has been gathered, and future gains in recycling will require much more education and community development work. More outreach will be needed, not less. Comments have been added to the schedule to indicate who attended and the primary purpose of the meetings. These minor expenditures are incidental to the District education, outreach and technical assistance efforts. Additionally, DNR has already withheld \$782.00 from the District for costs included in this comment.

**25. The Missouri legislature granted solid waste management districts with both the authority to enter into any contracts they felt necessary, and to make any expenditures they felt necessary.** This authority was granted in RSMo 260.310.3 and 260.320.2. Copies are attached for informational purposes. The legislature also did not require that DNR approve any contracts or expenditures. Legal services and lobbying services are both professional services that are within the statutory authority of Districts to obtain. DNR exceeds its statutory authority to deny those services to Districts. Additionally, it may be a conflict of interest for DNR initiate legislative efforts to divert dedicated local funds and then declare that any district attempts to protect those funds for their intended purpose are unnecessary and inappropriate. Legal services and lobbying will be discussed separately. It should be noted that lobbying services and certain legal expenditures were utilized only in response to actions undertaken by DNR. The District did not initiate expenditures prior to DNR actions. It should be noted that DNR has withheld \$50,273.00, and questioned costs total \$36,259.85.

**Legal services** are a normal cost of doing business. Districts are political corporations with significant responsibilities under the law. The District has utilized legal services in the following chronological fashion.

Shulamith Simon was the original District attorney, and only provided general legal services for administrative and contract issues. The District began to use a different attorney as Ms. Simon approached retirement.

Curtis, Heinz, Garrett began providing services in 2005. Curtis, Heinz, Garrett, and O'Keefe also provided general legal services for administrative issues, as well as limited review for responses to DNR regarding the state auditors report. The District would have been irresponsible to not seek legal advice when the District was being subjected to

administrative actions and penalties.

Thompson and Coburn, as well as Lathrop and Gage were utilized in response to DNR administrative actions regarding the state audit and subsequent withholding, as well as to research issues of District authority. Thompson and Coburn continue to provide general legal services to the District. DNR may exceed its statutory authority by preventing Districts from seeking legal counsel or by withholding District funds for legal expenses.

The District did utilize **lobbying services** after DNR initiated legislative efforts to divert approximately \$1,000,000.00 per year that the St. Louis region pays into the Solid Waste Management Fund. The District clearly has the legislative authority to secure lobbying services. The use of lobbying services was necessary and appropriate given the situation of DNR sponsored legislation to divert a huge sum of funds paid into the state solid waste management fund by this region. The District would have been remiss to not oppose that legislation.

Limits on the ability of districts to utilize lobbying services may exceed DNR statutory authority. The provision in the general terms regarding lobbying addresses federal funds and the federal legislature, and is not applicable to Districts. The District only used local funds for lobbying expenditures, and documented that fact with special accounting research at significant additional cost. As a result of this investment, over \$400,000.00 per year was saved for local programs, which justifies the effort.

DNR subsequently withheld over \$50,273.00 from the District, even though only local funds were used, and the District clearly has statutory authority to enter into contracts with whomever the District deems appropriate. Lobbying expenses listed in item 25 have already been withheld by DNR. The District strongly disagreed with the withholding and appealed that decision. DNR chose not to address the technical merits of the appeal. Funds for lobbying expenses have already been withheld, and the District still feels that all withholding was inappropriate.

26. These expenditures are **normal expenditures related to furnishing an office, as well as acquiring resource materials that are helpful for the District to promote all aspects of waste reduction and recycling as well as administer the District.** They are also appropriate given the District's unique situation to serve as a resource center and collaborative organization to foster partnerships and community involvement. Additionally, the District has chosen to demonstrate its operating principles through its choice of office location and condition, which justifies some extra effort on the basis of purpose and overall cost savings realized through the selection of its office location in a marginal location. Finally, the District was able to utilize donated space for many years, and finally had to secure its own office space, which then needed to be furnished. This expense was spread over several years, and was being completed during this time period.

DNR previously withheld \$12,778.00 from the District, which exceeds \$9,583.00 listed in item 26. Again, there does not appear to have been any itemized list of expenditures used

by **DNR** for this withholding. This includes \$10,125.00 for the murals and furnishings for an office which serves as a regional resource facility. An additional \$1,871.00 was withheld for any book purchased. All book purchases relate to aspects of waste reduction and recycling and district administration. The contract auditor was shown examples of books purchased by the District, which relate to the District mission. Books and costs for furnishing the office are appropriate and should not have been withheld. These questioned costs would withhold those funds for a second time.

27. The donations discussed are inadequately described by the budget category, which has since been changed to Community Outreach to reflect the purpose of these expenditures. These expenditures are **event sponsorships** in order to include waste reduction and recycling education as part of the event, and memberships that provide training and services for the District staff, as well as benefits for grantees.

28. The **District purchased a vehicle in 2003 using interest funds**. The purchase was approved by the District Executive Board, and **DNR** approval was not required. The District has started a vehicle usage log, even though all usage is charged to the same budget. The usage log is kept in the vehicle. The District has also begun a maintenance log, which is kept in the District files. Identification has been affixed to the vehicle. These actions address this issue.

#### Management Comments — Procedural Issues

The District always strives to eliminate mistakes and issues, and has undertaken reviews of procedures as a result of this field work. Most grant management issues that were noted are minor procedural issues that had no material impact. The major cause for these minor issues arises from the large number of grants being administered at any one time by a small staff. The District is making two adjustments to administrative procedures to eliminate future procedural issues. One adjustment will be to track amendments through the signing process and inclusion in quarterly reports. The second adjustment is to add a checklist to grant documentation records specifically for the purchasing and security aspects of the projects. A copy of the checklist form is attached for informational purposes. This will ease administrative review, as well as insuring that at least two staff members are reviewing purchasing and security aspects of grant administration to insure compliance with all applicable requirements. These adjustments should eliminate procedural issues in future audits.

#### Management Comments — Cost Issues

Districts are political corporations with a unique mission. Districts are local grassroots agencies that are expected to be involved in their communities to grow recycling. The legislature created these independent local organizations, and did not intend for them to be miniature versions of **DNR**. State standards that apply to **DNR** do not automatically extend to districts.

The District has already had \$63,051.00 withheld, without any itemized list of specific expenditures for the withholdings. The District appealed the withholding, and still contends that all expenditures have been within our statutory authority and appropriate given our structure and mission. At a minimum, the District should not be punished a second time. We look forward to an objective professional review by an independent assessor in accordance with generally accepted principles applied to an organization with the mission and responsibilities of the District.

The District has always acted within its authority and has never made purchases that were not justifiable components of accomplishing its mission. We have been cost conscious throughout our history, and will pledge to be even more cost-conscious in the future. We will, however, continue to aggressively pursue our mission, and will use our statutorily allocated resources to further the pursuit of waste reduction and recycling in the region.

#### Summary Comments

The District feels that all issues have been responded to in with this submittal. We feel that any issue addressed to the satisfaction of the independent contract auditor, in accordance with generally accepted accounting principles, should not be included in the draft report. We welcome the opportunity to examine our records and procedures, as this will allow us to improve our performance in the future.

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May 3, 2007

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Larry Tempel  
McBride Lock & Associates  
Harzfeld Building  
Suite 900  
1111 Main Street  
Kansas City, Missouri 65105

Re: St. Louis- Jefferson Solid Waste Management District  
Performance Audit Exit Interview  
April 5, 2007

Dear Mr. Tempel:

The purpose of this letter is to clarify the legal authority of the St. Louis-Jefferson Solid Waste Management District ("District") to incur certain expenditures.

In accordance with § 260.305.4, RSMo., "a solid waste management district created and organized under authority of sections 260.300 to 260.345 shall become a body corporate and politic of the state...." Significantly, the District is a separate and distinct political corporation and is not a political subdivision of the State or the Missouri Department of Natural Resources ("MDNR"). Concerning the authority to make expenditures, § 260.320.2, RSMo., provides that a District's executive board may "make all expenditures that are incidental and necessary to carry out its purposes and powers, and take such action, enter into such agreements and exercise all other powers and functions necessary or appropriate to carry out the duties and purposes of sections 260.200 to 260.345." Thus, it appears that a District's executive board is vested with broad statutory authority to expend Administrative Grants and Operational Grant funds.

Use of Grants for Legal Services. Because the District deals with administering laws, rules, regulations, contracts, grants and other issues, it is evident that the District will require legal services. Moreover, because the District has the statutory authority conferred in § 260.320, the District can retain and utilize legal services of its choosing as long as the District determines that such legal services are "incidental and necessary to carry out its purposes." Consequently, the District has legal authority to incur all the costs associated with the legal services discussed during the performance audit and the exit interview.

Use of Administrative Grants for Lobbying Activities. In administering grants to the District, MDNR implements its "General Terms and Conditions." Section I in the General Terms and Conditions states, "The Missouri Department of Natural Resources (MDNR) and any recipient (subgrantee/ contractor) employed under this agreement shall comply with all *applicable* Federal, State and local laws and, in particular, any and all *applicable* Federal laws and regulations cited in this agreement" (emphasis added).

Section II, T of the General Terms and Conditions states, "No portion of this award may be used for lobbying or propaganda purposes as prohibited by 18 U.S.C. Section 1913 or Section 607(a) of Public Law 96-74." Further, section II, T, 1 states, "Recipient agrees to comply with the Anti-Lobbying Act, Section 319 of Public Law 101-121, effective December 23, 1989...."

The anti-lobbying prohibition in 18 U.S.C. § 1913 states,

No part of the money appropriated by any enactment of Congress shall, in the absence of express authorization by Congress, be used directly or indirectly to pay for any personal service, advertisement, telegram, telephone, letter, printed or written matter or other device, intended or designated to influence in any manner a Member of Congress, a jurisdiction, or any official of any government, to favor, adopt, or oppose, by vote or otherwise, any legislation, law, ratification, policy, or appropriation, whether before or after the introduction of any bill, measure, or resolution proposing such legislation, law, ratification, policy or appropriation...

Public Law 96-74 concerned appropriations for the Treasury Department, Postal Service and other independent Federal agencies for Federal fiscal year 1979. Section 607(a) in P.L. 96-74 stated, "No part of any appropriation contained in this or any other Act, or of the funds available for expenditure by any corporation or agency, shall be used for publicity or propaganda purposes designed to support or defeat legislation pending before Congress."

Finally, § 319 of P.L. 101-121 is codified at 31 U.S.C. § 1352. In this context, 31 U.S.C. § 1352(a)(1) states,

None of the funds appropriated by any Act may be expended by the recipient of a Federal contract, grant, loan, or cooperative agreement to pay any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with any Federal action ....

All of the foregoing provisions clearly prohibit the use of Federal funds to lobby Congress and/or other Federal officials. None of these provisions are applicable in any way to any other funds. As stated in Section I in the General Terms and Conditions, a recipient is only required to comply with "*applicable* Federal laws and regulations." Because Section II, T in the General Terms and Conditions clearly prohibits the use of any Federal funds by a grant recipient of such Federal funds to lobby members of Congress or other Federal officials, if a District ever received a Federal grant, then the District would be prohibited from lobbying members of Congress and Federal officials. Significantly, there is no other statutory prohibition cited in the General Terms and

Conditions that purports to restrict the use of *non-Federal* grant funds for lobbying activities.

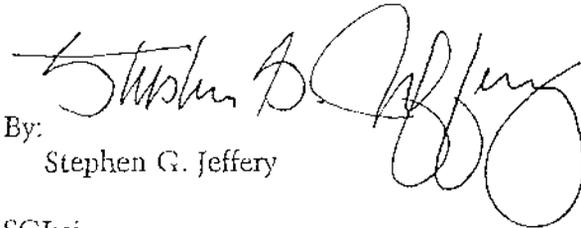
Accordingly, it appears that the General Terms and Conditions do not prohibit the use of Administrative Grant funds for lobbying activities.<sup>1</sup> In this context, it appears that at the time the State Auditor's Office issued its audit report, they were not aware of the foregoing provisions and may have instead relied on MDNR's representations that the District lacked legal authority to incur these lobbying costs.

In conclusion, the District clearly has statutory authority to incur costs related to legal services and lobbying activities as long as the District determines that such costs are necessary and incidental to carry out its purposes.

Please feel free to contact me if you have additional questions.

Very truly yours,

THOMPSON COBURN

By:  Stephen G. Jeffery

SGJ:sj

cc: David Berger

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<sup>1</sup> This conclusion, which finds no statutory prohibition that would preclude communication between a District and state legislators, is wholly consistent with § 105.058, RSMo., in which a state agency is prohibited from imposing any restrictions on its employees from communicating with state legislators. Section 105.058, RSMo. ("No state agency and no state official, including the joint committee on legislative research and the oversight division, shall, by agency policy, executive order, ethics codes or any other means, prohibit any state employee from communicating with the state auditor or his or her state representative or state senator, nor shall such agency or official require any such employee to provide any record or other information regarding any communications with the state auditor or his or her state representative or state senator, except when such communications are directly related to the primary employment duties of such employee").



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April 13, 2007

David Berger  
St. Louis-Jefferson Solid Waste Management District  
7525 Sussex Avenue  
St. Louis, MO 63143

Dear Dave,

It is my privilege to represent the City of St. Louis and promote Missouri's waste reduction goals as a member of the board of the St. Louis-Jefferson Solid Waste District.

This letter responds to the question of conflict of interest, or perceived conflict of interest, relative to my evaluation of grant proposals from Missouri Botanical Garden's Plastic Pot Recycling program in 2005 and 2006, which was raised by the recent MO-DNR Performance Audit of Region L SWMD.

I have never had any direct involvement in this program, other than generally supporting its goals as a waste-reduction effort along with many other recycling and waste reduction programs conducted in the St. Louis area and around Missouri. I have never had any financial involvement in this program. My salary as an employee of Missouri Botanical Garden is solely connected to programs of EarthWays Center, the Garden's division specializing in environmental education. Plastic Pot Recycling is a program of the Garden's Kemper Center for Home Gardening, which is fiscally supported and managed within the Garden's overall operations entirely separately from any financial interests associated with EarthWays Center.

In order to prevent any further perception of conflict of interest, I recused myself from reviewing, ranking and in any way commenting on the Kemper Center proposal for Plastic Pot Recycling funding in the Region L 2007 grant review proceedings. I will continue to do so during my remaining service on the Region L Solid Waste District Executive Board, relative to Plastic Pot Recycling proposals or any other proposal from any division or program of my employer, Missouri Botanical Garden.

Throughout my terms of Region L SWMD board service, I have always recused myself from evaluation and ranking of proposals submitted by EarthWays Center, in order to observe required conflict of interest procedures, and I will continue scrupulously to do so.

Thank you for including this testimony in the District's responses to the 2006 MO-DNR Performance Audit of the St. Louis-Jefferson Solid Waste Management District.

Sincerely,

Jean C. Ponzi  
Program Manager



Cc: Glenda Abney, EarthWays Center Manager

St. Louis-Jefferson Solid Waste Management District  
 Status of Subgrantee Awards  
 December 31, 2006

SCHEDULE IX

Subgrant No.	Purpose	Awards		Unspent Funds
		Obligated	Unobligated	
95000	95 Grant Unallocated Receipts	\$ -	\$ 60.00	\$ 60.00
96000	96 Grant Unallocated Receipts	-	(352.55)	(352.55)
98000	98 Grant Unallocated Receipts	-	6,809.29	6,809.29
2003000	2003 Grants Unallocated	-	2,202.21	2,202.21
2003044	St. Louis County Health Dept Recycling	100,000.00	-	18,731.51
2004000	2004 Grants Unallocated	-	52,303.33	52,303.33
2005000	2005 Grants Unallocated	-	140,581.58	140,581.58
2005001	Daniel Imig Single Stream Recycling Studies	35,000.00	-	-
2005002	City of Ballwin Curbside Recycling	60,000.00	-	-
2005003	Midwest Waste - City of Ferguson Coop	100,000.00	-	-
2005004	Solid Waste Solutions Single Stream Recycling	70,000.00	-	-
2005010	Technical Assist District Grant 2005	-	139,900.00	139,900.00
2005027	Abitibi Paper Retriever Expansion Project	52,300.00	-	-
2005028	City of Kirkwood Recycling Depository	75,000.00	-	12,173.30
2005029	Route 66 Landscape Supply	65,000.00	-	9,750.00
2005030	Operation Food Search for the Hungry	50,000.00	-	7,500.00
2005031	Parkway School District Recycling Program	26,000.00	-	-
2005032	MO Botanical Garden-Earthways Center	75,000.00	-	11,250.00
2005033	St. Louis County Health Dept Recycling	45,000.00	-	6,750.00
2005034	Pedro's Planet Inc. Recycling Program	40,000.00	-	-

St. Louis-Jefferson Solid Waste Management District  
 Status of Subgrantee Awards  
 December 31, 2006

SCHEDULE IX

<u>Subgrant No.</u>	<u>Purpose</u>	<u>Awards</u>		<u>Unspent Funds</u>
		<u>Obligated</u>	<u>Unobligated</u>	
2005035	St. Louis Earth Day Recycling	21,970.00	-	-
2005036	Habitat for Humanity St. Louis	31,317.00	-	-
2005037	Peerless Resource Recovery Shingles	70,000.00	-	-
2005038	MO Botanical Garden Pots to Planks Recycle	68,000.00	-	-
2005039	Central Paper Stock Co. Inc. Lock and Roll	50,000.00	-	50,000.00
2005040	City of Universal City Materials Recovery	68,000.00	-	68,000.00
2005041	Arm Strong Environmental Recycling	20,000.00	-	20,000.00
2005042	City of Byrnes Mill Recycling Drop-Off	27,000.00	-	6,741.25
2005043	City of St. Louis Curbside Recycling	225,000.00	-	225,000.00
2005044	Gateway Greening School Composting	35,000.00	-	9,075.09
2005045	Irresistable Community Builders Green Roofs	20,000.00	-	6,099.60
2005046	QRS Inc. Most of it Tears	50,000.00	-	-
2005047	Smurfit-Stone Recycling Co. Plastic Film	51,000.00	-	-
2005048	Webster University Recycling Program	25,000.00	-	6,971.12
2005049	Tire Shredders Unlimited	40,000.00	-	-
2005050	Bayden Car Parts Inc. Recycling	62,500.00	-	9,375.00
2005051	Jefferson Co. Video and Education Library	19,000.00	-	11,860.68
2005052	St. Louis Zoological Park Diversion Project	50,000.00	-	50,000.00
2005053	JTTA Inc. Appliance Recycling Center	40,000.00	-	6,580.01
2005054	TRI-Rinse Inc. Plastic Grinder	45,000.00	-	-

St. Louis-Jefferson Solid Waste Management District  
 Status of Subgrantee Awards  
 December 31, 2006

SCHEDULE IX

Subgrant No.	Purpose	Awards		Unspent Funds
		Obligated	Unobligated	
2005055	Organic Resource Management	10,000.00	-	-
2005056	Recycling Concepts Inc. Recycling Expansion	30,000.00	-	16,450.00
2005057	WS Metals Hauling Truck	49,000.00	-	-
2005058	St. Louis Co. Municipal League Recycling	25,000.00	-	16,938.30
2005059	Resource Recovery Project Inc.	20,000.00	-	-
2005060	HTR Group St. Louis Service Center	12,500.00	-	-
2005061	The Recycling Hero Program	20,000.00	-	-
2005062	St. Louis Brewery Spent Grain Composting	31,000.00	-	5,165.00
2005063	St. Louis Composting Inc. Organic Waste	50,000.00	-	50,000.00
2005064	Choose Environmental Excellence	10,000.00	-	-
2005065	FRC, LLC Granulator/Skid Loader Purchase	35,000.00	-	-
2005066	St. Louis Teachers Recycle Center Inc.	40,000.00	-	2,251.05
2005067	City of St. Peters Earth Center Storage	5,000.00	-	-
2005068	City of Florissant Recycling Program	10,000.00	-	-
2005069	Resource Recovery Project Inc.	20,000.00	-	-
2005070	City of Brentwood Mini Recycle Truck	30,000.00	-	-
2005071	JTTA Inc. Appliance Electronic Scrap	15,000.00	-	4,073.38
2005072	Fred Weber Inc. Landfill Gas to Energy	50,000.00	-	-
2005073	Grace Hill Settlement House Trail-M Project	32,000.00	-	19,376.61
2005074	Second Chance Materials Inc. Expansion	47,527.00	-	7,129.05

St. Louis-Jefferson Solid Waste Management District  
 Status of Subgrantee Awards  
 December 31, 2006

SCHEDULE IX

Subgrant No.	Purpose	Awards		Unspent Funds
		Obligated	Unobligated	
2005075	Hi-Tech Charities Recycling and Education	10,000.00	-	-
2005076	St. Louis Post-Dispatch Newspapers in Educ	35,000.00	-	-
2005077	City of Clayton Recycling and Reuse Promo	7,500.00	-	-
2006002	City of Kirkwood Recycling Facilitation	72,699.00	-	72,699.00
2006003	St. Charles Co. HHW Collection	45,400.00	-	45,400.00
2006004	Abitbi Consolidated Inc. Retriever Enhance	51,000.00	-	51,000.00
2006005	MO Botanical Garden Earthways Center	70,000.00	-	70,000.00
2006006	MORA Recycling Info Ed	30,000.00	-	30,000.00
2006007	Parkway School Dist. Recycling Program	25,000.00	-	25,000.00
2006008	Operation Food Search Truck Purchase	51,834.00	-	51,834.00
2006009	City of St. Louis Curbside Recycling	240,000.00	-	240,000.00
2006010	Daniel Imig Single Stream Residential Recyc	40,000.00	-	40,000.00
2006011	Central Paper Stock Co. Container Purchase	65,000.00	-	65,000.00
2006012	University City Single Stream Truck Purchase	82,500.00	-	82,500.00
2006013	City of Ellisville Recycling Cart Purchase	100,600.00	-	100,600.00
2006014	Jefferson Co. Code Enforcement Division	15,000.00	-	15,000.00
2006015	St. Louis Co. Municipal League Recycling	30,000.00	-	30,000.00
2006016	City of Ferguson Recycling Cart Purchases	125,000.00	-	125,000.00
2006017	City of Northwoods Recycling Cart Purchases	20,500.00	-	20,500.00
2006018	City of Clayton Recycling Cart Puchases	75,000.00	-	75,000.00

St. Louis-Jefferson Solid Waste Management District  
 Status of Subgrantee Awards  
 December 31, 2006

SCHEDULE IX

Subgrant No.	Purpose	Awards		Unspent Funds
		Obligated	Unobligated	
2006019	City of St. Peters Clear Stream Recycling	17,500.00	-	17,500.00
2006020	City of St. John Recycling Cart Purchases	71,600.00	-	71,600.00
2006021	City of Rock Hill Recycling Cart Purchases	39,500.00	-	39,500.00
2006022	City of Cool Valley Recycling Cart Purchases	9,000.00	-	9,000.00
2006023	Smurfit-Stone Plastic Film Container	50,000.00	-	50,000.00
2006024	St. Louis Community College Recycling Bin	30,000.00	-	30,000.00
2006025	City of Brentwood Recycling Bin Carts	12,000.00	-	12,000.00
2006026	QRS Inc. Optical Sort System	125,000.00	-	125,000.00
2006027	Route 66 Landscape Supply Center Conveyor	15,000.00	-	15,000.00
2006028	Recycling Concepts Inc. Grinder Conveyor	33,000.00	-	33,000.00
2006029	Deal Services LLC. Electronics Recycling	19,500.00	-	8,207.56
2006030	City of Byrnes Mill Pole Building	40,000.00	-	40,000.00
2006031	City of Olivette Recycling Cart Purchases	50,600.00	-	50,600.00
2006032	JTTA Inc. Appliance Waste Collection	70,000.00	-	70,000.00
2006033	Tire Shredders Unlimited Collections	40,000.00	-	40,000.00
2006034	MO Botanical Garden Plastic Pot Recycling	45,000.00	-	45,000.00
2006035	Gateway Greening Inc. Vermicomposting	30,000.00	-	30,000.00
2006036	St. Louis Composting Inc. Front Load Box	50,000.00	-	50,000.00
2006037	City of O'Fallon Education Brochures/Collection	4,500.00	-	4,500.00
2006038	St. Louis Earthday Recycling Promotion	10,000.00	-	10,000.00

St. Louis-Jefferson Solid Waste Management District  
 Status of Subgrantee Awards  
 December 31, 2006

SCHEDULE IX

Subgrant No.	Purpose	Awards		Unspent Funds
		Obligated	Unobligated	
2006039	Strategic Materials Inc. Recycling Roof Exten	63,000.00	-	63,000.00
2006040	FRC Recycling LLC. Salaries and Truck	50,000.00	-	50,000.00
2006041	University of MO Database Mangement Funding	20,000.00	-	20,000.00
2006042	Resource Recovery Project Free Workshops	40,000.00	-	16,945.00
2006043	Arm Strong Environmental Apartment Recyclin	20,000.00	-	20,000.00
2006044	St. Louis Teachers Recycle Center Collection	40,000.00	-	40,000.00
2006045	Wayne Bonacker Tub Grinding Purchase	50,000.00	-	50,000.00
2006046	City of Florissant Recycling Hauling Expenses	13,000.00	-	13,000.00
2006047	St. Louis Post-Dispatch Printing Mailing Exp	30,000.00	-	30,000.00
2006048	JTTA Inc. Appliance Collection	30,000.00	-	30,000.00
2006049	Neighbors Assisting Neighbors Salary	15,000.00	-	15,000.00
2006050	ECO911 LLC. Plastic Scrap Transport Truck	20,000.00	-	20,000.00
2006051	City of St. Ann Front Loader Purchase	34,000.00	-	5,100.00
2006052	Fred Weber Inc. Methane Gas Transportation	50,000.00	-	50,000.00
2006053	Hi-Tech Charities Electronic Processing Salary	25,000.00	-	25,000.00
2006054	City of Berkeley Front Loader Purchase	7,600.00	-	7,600.00
2006055	The Recycling Hero Recycling Program	25,000.00	-	25,000.00
2006056	Missouri River Relief Riverfronts	3,375.00	-	3,375.00
2006057	City of Ballwin Brush Chipper	15,000.00	-	15,000.00
2006058	Encore Building Solutions ASTM Certification	20,000.00	-	7,453.00

St. Louis-Jefferson Solid Waste Management District  
 Status of Subgrantee Awards  
 December 31, 2006

SCHEDULE IX

Subgrant No.	Purpose	Awards		Unspent Funds
		Obligated	Unobligated	
2006059	City of Pevely Shingle Asphalt Composting	22,000.00	-	22,000.00
2006080	St. Louis Co. Dept of Health HHW Collection	500,000.00	-	500,000.00
2006081	QRS Inc. Disc Screen System Purchase	78,000.00	-	78,000.00
2006082	MO Botanical Garden Televised HHW Educ	40,000.00	-	40,000.00
2006083	Resource Management Trailer Purchase	35,000.00	-	35,000.00
2006084	Neighbors Assisting Neighbors Containers	100,000.00	-	100,000.00
2006085	City of Webster Grove Single Stream Cart	60,000.00	-	60,000.00
2006086	University City Single Stream Recycling Carts	60,000.00	-	60,000.00
2006087	JAMAX Inc. Recycling Truck	50,000.00	-	50,000.00
2006088	City of O'Fallon Single Stream Recycling Totes	20,000.00	-	20,000.00
2006089	Allied Waste Recycling Magnets Purchase	10,000.00	-	10,000.00
	Unrestricted Interest	-	43,835.40	43,835.40
	District Grant Interest	-	68,837.93	68,837.93
	Administrative Grant Fund	-	103,519.10	103,519.10
	Local Administrative Grant Fund	-	10,405.77	10,405.77
	District Operations Tech Assist Admin Fund	-	(48,329.04)	(48,329.04)
	District Checking Account	-	7,625.20	<u>7,625.20</u>
			District Cash Balance	<u><u>4,556,552.73</u></u>

St. Louis-Jefferson Solid Waste Management District  
General and Grant Account Balance  
December 31, 2006

SCHEDULE X

Grant Account Balance per General Ledger	\$4,299,596.30
General Account Balance per General Ledger	<u>\$256,956.43</u>
Total Account Balances	<u><u>\$4,556,552.73</u></u>

The Quarterly Project Financial Summary as of December 31, 2006 submitted by Region I, reported a total fund balance of \$4,626,552.73 to MDNR which includes \$70,000 awarded to Project number 2005037 (Peerless Resource Recovery Shingles). The Project was approved by Region I and MDNR, however, funds were not released by MDNR due to an enforcement action against the subgrantee and therefore is not included in the total account balance.

St. Louis-Jefferson Solid Waste Management District  
 Schedule of State Funding  
 Years Ended December 31, 2006 and December 31, 2005

SCHEDULE XI

<u>Received</u>	<u>Total Amount</u>	<u>Type</u>
<u>Year Ended December 31, 2006</u>		
September 2006	<u>\$2,155,012.00</u>	District Grant
Total From DNR in FY 2006	<u><u>\$2,155,012.00</u></u>	
 <u>Year Ended December 31, 2005</u>		
October 2005	\$95,000.00	District Grant
September 2005	\$157,500.00	District Grant
August 2005	\$511,970.00	District Grant
July 2005	\$981,160.00	District Grant
June 2005	\$10,000.00	District Grant
January 2005	<u>\$500,000.00</u>	District Grant
Total From DNR in FY 2005	<u><u>\$2,255,630.00</u></u>	

SCHEDULE XII

**REGION L**  
**ST. LOUIS-JEFFERSON SOLID WASTE MANAGEMENT DISTRICT**  
**ST. LOUIS, MISSOURI**

Schedule of Prior Audit Findings  
For the Fiscal Years Ending June 30, 1993, 1994 and 1995

The prior audit was performed by the Missouri Department of Natural Resources, Division of Administrative Support, Internal Audit Program for fiscal years 1993, 1994 and 1995. Of the 12 prior findings, 7 were implemented by the District and 5 were not implemented or partially implemented.

1. **FINDING – No Financial Audit**

**Condition** – The District has not had a financial audit since its inception.

**Current Status** – The District contracted out an annual financial audit of the records and accounts of its operations by a firm of CPAs as required. Consider the finding resolved.

2. **FINDING – Petty Cash Not Secure**

**Condition** – The petty cash fund for the District is kept in an unlocked drawer.

**Current Status** – The District no longer maintains a petty cash fund. Consider the finding resolved.

3. **FINDING – Equipment Management**

**Condition** – The District has no formal policy regarding equipment control. An inventory of equipment purchased with grant funds has never been performed. The Executive Director of the District could not furnish a list of equipment that had been purchased with grant funds.

**Current Status** – The District has developed a list of equipment and performs physical inventories as required. However, see Finding Nos. 9 and 10 for our review of equipment management.

4. **FINDING – Anti-Lobbying Certification**

**Condition** – Neither the MDNR Solid Waste Program nor the District require grant recipients to file an Anti-Lobbying Certification form.

**Current Status** – The District maintains completed Anti-Lobbying Certification forms in each recipient grant file. Consider the finding resolved.

5. **FINDING – Non-Compliance with Purchasing Requirements**

**Condition** – The District did not require competitive bids for the production of a waste manual funded through project grant 94094. There was no formal bidding process, nor were bids requested in writing.

**Current Status** - The current audit noted the District has contracted out payroll services and implemented the employment policies and procedures of the Missouri Botanical Garden. Verbal bids were requested from two additional contractors, however, no written bid requests were maintained by the District. Additionally, the District allowed subgrantees to contract installation and processing services without requiring written bid request. See Finding Nos. 3 and 19 for our review of procurement requirements.

6. **FINDING – General Terms and Conditions**

**Condition** – During the audit we discovered several instances where the District was not in compliance with the General Terms and Conditions which cover this program. The District had two sets of their own General Terms and Conditions. A comparison of the two sets of General Terms and Conditions revealed major differences.

**Current Status** – The District is using the proper edition of the General Terms and Conditions. Consider the finding resolved.

7. **FINDING – Match Documentation**

**Condition** – During the review of district grants, instances were noted where proper match documentation was not obtained.

**Current Status** – No instances were noted in which the District did not maintain in the grant file support documentation for match commitments and certification that match was committed. Consider the finding resolved.

8. **FINDING – Final Reports and Quarterly Reports Not Properly Submitted**

**Condition** – Our sample of 11 district grants included two final reports that were not submitted in the proper time period. Additionally, there were instances in which quarterly reports were not submitted in the proper time period.

**Current Status** – The audit noted instances in which the final reports and quarterly reports were not timely filed as required. See Finding Nos. 22 and 23 for our review of report submissions.

9. **FINDING – District Grants Not Administered on Reimbursement Basis**

**Condition** – According to the the DNR General Terms and Conditions II.A. “The recipient

will be reimbursed for all allowable expenses incurred in performing the scope of services. The recipient shall report project expenses and submit standard invoices, attached to the Agreement, for payment.” The District has been trying to move toward a strictly reimbursement basis for the past two fiscal years, but almost all of the subrecipients have received advanced payments throughout the audit period.

**Current Status** – Review of District grant projects noted no instances of advanced payments being made to recipients. Consider the finding resolved.

**10. FINDING - Costs Incurred Prior to Project Start Date**

**Condition** – During our review we found two projects, 95044 and 95051, for which disbursements were made for costs incurred prior to the project start date.

**Current Status** – Review of District grant projects noted no instances of cost incurred prior to the project start date. Consider the finding resolved.

**11. FINDING – Evaluation Process Not Complete**

**Condition** – After a review of the evaluation procedures followed by the board, it was determined that the board’s evaluation procedures were inadequate for the three fiscal years 1993, 1994 and 1995.

**Current Status** – Proposals are reviewed by the executive board members using the nineteen required criteria for ranking proposals. It was noted that potential conflict of interest issues exist in the ranking and approval of proposed District grant projects. See Finding No. 2 for our review of the project evaluation process.

**12. FINDING – Decals Not Displayed on Equipment**

**Condition** – Two of the seven sites visited did not have the decals giving credit to the District properly displayed.

**Current Status** – All equipment physically observed at the subgrantee sites had displayed decals of the District properly affixed to the equipment. The audit noted that the Official District Vehicle did not have a District decal permanently affixed to it. See Finding No. 9 for further explanation regarding this condition.

**REGION L**  
**ST. LOUIS-JEFFERSON SOLID WASTE MANAGEMENT DISTRICT**  
**ST. LOUIS, MISSOURI**

Schedule of Prior SAO Audit Findings  
For the Fiscal Years Ending June 30, 2005, 2004 and 2003

1. **FINDING – District Administrative Expenditures**

**Condition** – One district incurred some administrative expenditures which appear to be unnecessary and inappropriate uses of public funds. District L spent funds for artwork, gifts, books and a lobbyist.

**Current Status** – The audit noted several instances of administrative expenditures under the categories of food and travel, legal and lobbying, subscriptions, books and artwork, and donations which appear to be unnecessary and inappropriate uses of public funds. See Finding Nos. 5, 6, 7 and 8 for our review of administrative expenditures.

2. **FINDING – District Fund Balances**

**Condition** – One of the districts reviewed, District L, had a fund balance of \$4.5 million as of April 30, 2005. This district is the largest regarding the amount of state funds received and spent. Of this amount approximately \$2 million was encumbered for grants which had not yet been spent by the subgrantees, with some of the grants awarded as far back as 1999. The remaining 2.5 million is comprised of unspent administrative funds (\$1.4 million) and interest earned on both grant and administrative funds (\$1.1 million). According to district officials, the board of this district desires to maintain a balance of a minimum of one-year operating reserve for unforeseen circumstances, such as the loss or delay in funding. During the year ended June 30, 2004, this district expended a total of approximately \$2 million for grants and operations.

**Current Status** – As of December 31, 2006, the District had a fund balance of \$4.6 million. Of this amount approximately \$4.3 million was encumbered for grants which had not yet been spent by the subgrantees. The remaining amount is comprised of approximately \$112,673 of interest earned on both grant and administrative funds and \$213,121 of unspent administrative funds. See Finding No. 4 for our review of District fund balances.

3. **FINDING – District Subgrantee Procedures**

**Condition** – The District did not always have current financial assistance agreements for all subgrantees with open grants. Additionally, the district made a \$24,633 payment to a vendor directly for a vehicle purchased by a subgrantee rather than reimbursing the

subgrantee. Furthermore, the district reimbursed subgrantees for grant expenses prior to receiving quarterly reports from the subgrantees.

**Current Status** – The audit noted no instances of the District making any payments to a vendor for a subgrantee or any advanced payments to subgrantees. Additionally, no instances were noted in which the District reimbursed a subgrantee prior to receiving a quarterly report from the subgrantee. However, one instance was noted in which the financial assistance agreement between the District and subgrantee expired on an open grant. See Finding No. 21 for our review of expired financial assistance agreements.