



Matt Blunt, Governor • Doyle Childers, Director

DEPARTMENT OF NATURAL RESOURCES

www.dnr.mo.gov

AUGUST 13, 2008

Mr. Bob O'Keefe
Region T - Lake of the Ozarks Solid Waste Management District
P. O. Box 786
Camdenton, MO 65020

Dear Mr. O'Keefe:

This letter provides notice to Region T - Lake of the Ozarks Solid Waste Management District that the Department of Natural Resources, Solid Waste Management Program's (SWMP's) evaluation of the district's performance related to appropriate and effective use of district grant funds pursuant to 260.335.5, RSMo, found the district to be seriously out of compliance. Specifically, the SWMP determined the district failed to comply with the laws, regulations and terms and conditions governing use of such public monies. Based upon the information contained in the Independent Accountant's Report on Applying Agreed-Upon Procedures for the period July 1, 2005 through June 30, 2007 and the lack of sufficient progress by the district's board in addressing findings contained within that report, effective September 1, 2008, the department has designated Region T as "high risk".

It is our intent to work with Region T to return the district to compliant status. The SWMP will continue to allocate solid waste management funds to Region T for solid waste management projects. However, should Region T fail to meet the compliance deadlines as set forth in the SWMP's audit resolution document, the SWMP will discontinue forwarding the allocations to the district and will be making payments on behalf of Region T until the district is returned to compliant status. Specifically, the SWMP will ensure reimbursements are made from the district's allocations directly to the district's subgrantees for allowable and reasonable expenditures under their financial assistance agreements with Region T.

As early resolution is in the best interest of the district and program, the SWMP plans to meet with the executive board and district planner to ensure a common understanding of these significant audit findings and the need to timely take needed corrective action. Region T's written concurrence with the corrective action plan should be received in our office no later than 30 days from the date of this letter.

Mr. O'Keefe

Page Two

The audit process is one of the tools the department uses to fulfill its responsibility to fully account for the use of state resources, past and present. We are committed to working cooperatively with you to address these significant audit issues and view the audit process as a constructive method of evaluating your district's operational and grant procedures to identify areas where improvements may be needed. As stated above due to the nature of the audit findings and the district's initial response to the audit resolution plan, the district must make tangible progress to resolve all audit issues and to establish procedures to prevent future problems by the dates established in the corrective action plan.

Unless the district can provide documentation related to costs questioned at Finding 7 in the performance audit report, our review of information submitted to date by Region T does not indicate all these costs were reasonable and necessary for grant performance. Region T must submit any additional documentation available no later than September 30, 2008. If information submitted is not adequate to document the reasonableness and necessity of these costs for program performance then the SWMP will disallow \$1,444.22 on September 30, 2008.

Region T has failed to use the funding set aside for educational, dump clean-up, and scrap tire events in compliance with the regulations. The SWMP, as a result of the District's failure to address this area of non-compliance, will be requiring the District to repay to the SWMP the amount of funds in each of these grant categories where funding has been rolled forward from grant-to-grant and such roll forward exceeds a 24 month period. The total amount to be repaid by Region T is \$35,956.90. This amount represents the remaining unspent balance \$17,794.12 of the Open Dump Clean-up grant 2004-185 and the remaining unspent balance \$18,162.78 of the Tire Collection grant 2005-196. These repaid funds will be reallocated to compliant districts in accordance with 10 CSR 80-9.050(9)(E).

Additionally, Finding 8 identifies questioned costs totaling \$38,722. This significant finding has the potential to result in a disallowance to the district of an amount equal to two years of administrative funding. To date information provided by the District is not sufficient to determine allowability of these questioned costs. The SWMP will continue meeting with District staff to obtain sufficient information to make a determination of the allowability of these costs. However, costs not adequately supported by required documentation as set forth in the District Grant Rule, 10 CSR 80-9.050, may ultimately be disallowed.

Should the district fail to meet the dates set forth in the corrective action document, we will come to the board for action to allow SWMP to make direct payments to the district's subgrantees from the district's allocation. Once the board takes this action, the SWMP will have the authority and could, on behalf of the district, begin making payments to district subgrantees. This change in payment processing could occur as soon as October 1, 2008. The district will need to provide appropriate invoices and supporting documentation for subgrantee payments including board approval for payments to be made by the SWMP. Additional details regarding this process

Mr. O'Keefe

Page Three

are included in Region T's special terms and conditions. This alternative process will remain in place until June 30, 2009.

Whenever possible, the SWMP strives to work with the districts to proactively ensure compliance with applicable requirements in order to avoid future audit deficiencies. Please review the enclosed special terms and conditions carefully. By signing both and returning one of the enclosed copies to the

SWMP, the district's executive board is acknowledging agreement with the additional "high risk" requirements including the corrective action plan. Please sign and return one copy of the original special terms and conditions to the following address: Department of Natural Resources, Solid Waste Management Program, P.O. Box 176, Jefferson City, Missouri 65102, Attention: Operations Section.

If you have questions, please contact Mr. Jim Hull or Ms. Brenda Ardrey of the department's SWMP at (573) 751-5401. Thank you for your interest in solid waste management. We look forward to working with you in this very worthwhile endeavor.

Sincerely,

DEPARTMENT OF NATURAL RESOURCES

Doyle Childers
Director

DC:bab

Enclosures

c: Senator Chuck Purgason, Missouri Senate
Senator Carl Vogel, Missouri Senate
Representative Robert Wayne Cooper, Missouri House of Representatives
Representative Darrell Pollock, Missouri House of Representatives
Representative Rodney Schad, Missouri House of Representatives
Ms. Bev Thomas, Camden County Commission, Region T General Council Member
Mr. Lowell Morgan, Laclede County Commission, Region T General Council Member
Mr. Danny Rhoades, Laclede County Commission, Region T General Council and Executive Board Member
Mr. Tom Wright, Miller County Commission, Region T General Council Member and Executive Board Member

Mr. O'Keefe

Page Four

Mr. Dave Whittle, Miller County Commission, Region T General Council Member
Mr. Mike Wackerman, City of Camdenton, Region T General Council Member
Mr. Lawrence Rifenburg, City of Conway, Region T General Council Member
Ms. Mary Reed, City of Eldon, Region T General Council Member
Mr. Bob Crawford, City of Iberia, Region T General Council Member and Executive Board Member
Mr. Johnnie Franzekos, City of Lake Ozark, Region T General Council Member
Mr. Bill Wheeler, City of Lebanon, Region T General Council Member and Executive Board Member
Ms. Penny Lyons, City of Osage Beach, Region T General Council Member and Executive Board Member
Mr. Dave Reinhart, At Large Member, Region T General Council Member
Ms. Joyce Thompson, City of Linn Creek, Executive Board Member
Mr. Jim McNichols, Legislative Liaison, Department of Natural Resources
Mr. Daniel R. Schuette, Director, Division of Environmental Quality
Ms. LaVerne Brondel, Director, Division of Administrative Support
Mr. Ed Schneider, Director, Internal Audit Program
Ms. Leanne Tippett Mosby, Deputy Director, Division of Environmental Quality
Ms. Linda Jaegers, Fiscal & Administrative Manager, Division of Environmental Quality
Mr. James Dickerson, Planner, Region T - Lake of the Ozarks SWMD