

Performance Audit Resolution
Region H – Mid-Missouri Solid Waste Management District
December 31, 2009, 2010 and 2011

1. Sunshine Law Policy Not Provided

Auditor Recommendation:

We recommend the District adopt a written Sunshine Law policy.

District Response:

The District agrees with the finding and recommendation. The District will prepare a written Sunshine Law policy and attach to the Districts Policy and Administrative Rules Handbook.

SWMP Response:

The SWMP partially agrees with the auditor's recommendation. Following the last performance audit, the District submitted to SWMP an amended handbook including the District's Sunshine Law policy, the November 12, 2008 board meeting minutes and District Sunshine Request Form as confirmation of the District's corrective action. (Note: The District's submitted policy can be viewed on the department's website at <http://dnr.mo.gov/env/swmp/docs/district-exhibit1.pdf> within the District's Policies and Administrative Rules Handbook, page 9.) We are concerned the District Executive Board and staff now appear unaware they amended and adopted this new written Sunshine Law policy and form.

As this is a repeat finding, the District is directed to come into compliance with the requirements of Chapter 610 RSMo. Sixty days from the date of this correspondence, the District must provide documentation of its compliance to the SWMP. This must be accomplished by the Executive Board attending training on Chapter 610, certifying the policy and related procedures have been reviewed and amended, if needed, and the Executive Board has taken steps to ensure all members and staff have fully implemented the policy. A copy of the amended policy and signed minutes documenting the board review, implementation and approval along with proof of training must be submitted to SWMP.

2. Carryover Funds and Interest Income in Excess of CSR Requirements

Auditor Recommendation:

We recommend the District implement a plan to reduce unobligated funds and allocate the monies to projects.

District Response:

The District agrees with the finding and recommendation. The District will work with DNR on obligating funds for future projects.

SWMP Response:

The SWMP agrees with the auditor's recommendation. Unobligated funds must be allocated to waste reduction and recycling projects in accordance with 10 CSR 80-9.050(2)(C)6, which requires that carryover funds and interest income held by the District at the end of the District's fiscal year in excess of twenty thousand dollars (\$20,000) be allocated to subgrant projects in the next request for project proposals unless approved otherwise by the SWMP.

The audit found that the unobligated fund balance held by the District at the end of each fiscal year audited materially exceeded \$20,000. This was in part due to the District not properly segregating and identifying cash held by the District. (See Finding #3 below.) The unobligated funds were than not timely used by the District for subgrant projects during the next district grant cycle.

Finding #2 will remain open until the District provides documentation to the SWMP that it has established policies and procedures to ensure the District timely obligates district grant funds in excess of \$20,000 or requests approval from the SWMP for any excess amount. The District within sixty days must provide copies of the newly adopted policy/procedures related to unobligated funds held by the District and signed Executive Board minutes documenting approval and implementation.

**3. Unobligated Funds Not Properly Segregated and Reconciled by the District
Questioned Costs \$35,439**

Auditor Recommendation:

We recommend the District segregate, adequately reconcile, and properly report the unobligated income between the three categories of interest income, program income, and carryover unobligated on the quarterly project financial summary report. We recommend the District ensure the cash balance on the quarterly project financial summary report agrees with the reconciled bank balance. We also recommend the District work with the DNR to resolve the questioned cost of \$35,439.

District Response:

The District agrees with the finding and recommendation. The District is working on segregating these numbers out by income class. For the fiscal year ended June 30, 2012, the District has separated program and interest income and the unreconciled difference has been reduced to \$8,230.

SWMP Response:

The SWMP agrees with the auditor's recommendation. The District is required to have in place a financial management system consistent with generally accepted accounting principles that properly accounts for all financial transactions and meets the requirements of 10 CSR 80-9.050(7)(B) and the SWMP's General Terms and Conditions, I.I. With particular

attention paid to incorporating adequate internal controls into the system, so that records are maintained and supporting documentation is adequate to identify and account for the source and use of all funds and allow for accurate preparation of quarterly project financial status reports.

The audit found the quarterly project financial summary report prepared by the District for the period ending June 30, 2011 did not properly identify and separate program income and interest income, and did not reconcile to cash held by the District at fiscal year-end. Specifically, the audit identified a difference of \$35,439 between the reconciled bank balance as of June 30, 2011 of \$580,448 and the total cash balance reported on the quarterly project financial summary report of \$545,009.

The District must take corrective action to ensure all monies are maintained in the accounting system by funding source and cash balances on the quarterly project financial summary reports agree to the reconciled bank balance. The Executive Board needs to provide oversight of the quarterly reporting process to ensure that reconciliation has occurred and the information is accurately reported to the department. This process must verify the quarterly reports reflect the actual status of each project; fully identify and disclose unobligated funds (i.e., district grant funds, (current and carryover), interest income, program income, or other income) and that total cash balances reported agree with the reconciled bank balances and the District's accounting records.

Finding #3 will remain open until the District provides documentation demonstrating its financial management system is properly tracking and identifying the source of unobligated funds on hand at the District. The District must provide within 60 days from the date of this correspondence copies of the reconciled bank statements along with each quarterly project financial summaries for the next twelve month period as confirmation the District has reconciled the reports to the bank statements.

To resolve the \$35,439 in questioned costs, the District must determine the source of funds. The District then must submit to the SWMP corrected quarterly financial summary reports for the periods ending June 30, 2011 and June 30, 2012 along with a copy of reconciled bank statements for these periods. Any amount the District cannot identify by source will be categorized as unobligated district grant funds and must be made available for the next grant cycle. (See Finding #2 above.)

4. Equipment Not Permanently Identified as Funded by the District

Auditor Recommendation:

We recommend the District require all subgrantees to permanently tag equipment as being purchased by the District or funding was provided by district grant funds.

District Response:

The District agrees with the findings and recommendations. The District will require

subgrantees to disclose that equipment purchased with grant funds were provided by the District and MDNR. This will be accomplished through permanent signing provided by the District.

SWMP Response:

The SWMP partially agrees with the auditor's recommendation. Equipment purchased in whole or in part with district grant funds must be identified as to the District's ownership interest. The audit found that equipment purchased by the District's subgrantees was not properly tagged to identify the equipment as funded by district grant funds. Equipment having a permanent serial number or vehicle identification number may be identified in the District's physical inventory by that number and signage may be posted at the subgrantee to identify the equipment as being funded by the District and the Solid Waste Management Program.

Finding #4 will remain open until the District provides written notification and appropriate documentation of corrective action to the SWMP. This documentation must be provided by the District within sixty days of the date of this correspondence. Corrective action must include recording of the serial or vehicle identification number in the District's physical inventory records and posting by subgrantees of signage for projects, where applicable.

5. UCC Financing Statements and Lien Filings Not Completed for Equipment

Auditor Recommendation:

We recommend the District obtain liens or UCC financing statements on all equipment purchased for \$5,000 or more using SWMF monies.

District Response:

The District agrees with the findings and recommendations. The District will obtain UCC filings and Lien holdings on all equipment purchased with grant funds and will present documentation to the District board once filings have been completed.

SWMP Response:

The SWMP agrees with the auditor's recommendation. Proof of UCC-1 financing statements or lien filings is required to be maintained in the District's grant files until the interest has been fully discharged. Without this proof, the District cannot be assured its interest in the subgrantee's equipment is protected through adequate identification.

Finding #5 will remain open until the District provides to the SWMP documentation that the applicable forms have been filed and the District is listed as a lien holder on the title, UCC-1 form or other security instrument for the equipment purchased for projects 2010-016, 2010-013, and 2011-009. Within sixty days of the date of this correspondence, the District must provide a copy of its equipment management policy/procedure including the requirements

for security interest along with the signed Executive Board minutes documenting approval and implementation of such policy/procedure.

6. Proof of Payments Not Submitted by Subgrantees

Auditor Recommendation:

We recommend that prior to disbursements being made to subgrantees, all supporting documentation be received by the District.

District Response:

The District agrees with the findings and recommendations. The District prior to releasing funds will require proof from the subgrantee that items have been paid, in the form of a cancelled check or paid invoice. This information will be included in the grant file.

SWMP Response:

The SWMP agrees with the auditor's recommendation. Supporting documentation to determine reimbursement requests submitted by the District's subgrantees were for eligible costs incurred and paid by the subgrantees during the grant period is required. The audit found that requests for reimbursement of costs submitted by subgrantees for projects 2009-003, 2009-005, 2009-010, 2009-001, 2010-004 and 2010-008 were approved and paid by the District without supporting documentation that the subgrantees had actually incurred and paid the costs claimed.

The District's planned actions are inadequate with respect to projects identified by the auditor where proof of purchase and payment was not obtained prior to reimbursement. The District must obtain this proof of purchase and payment requiring both a paid invoice and a cancelled check or other digital proof of payment.

Finding #6 will remain open until the District obtains and provides to the SWMP copies of adequate proof of purchase and payment of expenditures claimed by the subgrantees. Failure to provide supporting documentation for such expenditures will result in disallowance of the district grant funds. Within sixty days of the date of this correspondence, the District must provide copies of its financial management policies and procedures to demonstrate controls are in place to prevent a repeat finding and signed Executive Board minutes documenting approval and implementation.

7. Lack of Insurance Verification for Equipment

Auditor Recommendation:

We recommend that the District require proof of insurance from the subgrantee for equipment purchased with district grant funds.

District Response:

The District agrees with the findings and recommendation. The District will require proof of insurance on any equipment purchased with district grant funding. This proof will be included in the grant file.

SWMP Response:

Without obtaining proof of insurance coverage from subgrantees, the District cannot be assured assets purchased with district grant funds are adequately protected and not subject to risk of an uninsured loss. This is a repeat audit finding. The District's Policies and Administrative Rules Handbook, page 6, was amended in November 2008 to incorporate a requirement for proof of insurance prior to reimbursement by the District. The audit found no evidence that insurance was maintained on equipment purchased for project 2011-009. The District failed to implement its policy related to proof of insurance and is noncompliant with the General Terms and Conditions.

Finding #7 will remain open until the District provides to the SWMP a copy of proof of insurance coverage on the equipment purchased for project 2011-009. Additionally, for the next twelve month period, the District shall provide to SWMP copies of proof of insurance on all equipment purchased with district grant funds as well as the invoice and supporting documentation requesting reimbursement for such purchases by subgrantees. Within sixty days of the date of this correspondence, the District must provide copies of its equipment management policies and procedures to demonstrate the controls are in place to prevent a repeat finding as well as signed Executive Board minutes documenting approval and implementation of the policies and procedures.

8. Bid Documentation Lacking for Subgrantee Purchases

Auditor Recommendation:

We recommend the District obtain bid information from the subgrantee prior to releasing grant funds.

District Response:

The District agrees with findings and recommendations. The District will obtain bid information from the subgrantee prior to releasing grant funds. This information will be included in the grant file.

SWMP Response:

Supporting documentation is required to determine that subgrantees follow proper procurement procedures in selecting vendors to accomplish the tasks required by the grant. The District is required to obtain bid documentation for review and to document compliance. Documentation supporting this review needs to be maintained in the district grant files. This

is a repeat audit finding. The District's Policies and Administrative Rules Handbook, page 6, was amended in November 2008 to incorporate a requirement for subgrantees to bid and submit bid documentation to the District. This audit now found that grant files for projects 2009-009, 2009-010, 2009-011, 2010-004, 2010-008, 2010-013, 2011-009, 2011-010, 2011-013 and 2011-016 did not contain documentation to demonstrate compliance with these bid requirements. The District failed to implement its policy related to purchasing and is noncompliant with 34.040 RSMo, 1 CSR 40 and the General Terms and Conditions.

The District must provide to the SWMP proof the bid documentation for the above projects is obtained and evaluated for compliance. For those subgrants without adequate bid documentation, district grant funds will be disallowed.

Finding #8 will remain open for the next twelve month period while the District provides copies to the SWMP of bid documentation for purchases made under new district grants as confirmation of compliance with the District's stated policy. Within sixty days of the date of this correspondence, the District must provide copies of procurement policies and procedures incorporating adequate controls to prevent reimbursement where supporting documentation has not been provided by the subgrantee along with the signed Executive Board minutes documenting approval and implementation of the policies and procedures.