

**Final Audit Finding Resolution**  
**Region Q-Ozark Foothills Regional Solid Waste Management District**  
July 2007

**1. Failure to Adopt Required Policies (Council and Board membership and Conflict of Interest).**

*Auditor Recommendation:*

The district should adopt and implement policies and procedures to ensure compliance with all applicable governing statutes and regulations. The District Director, Executive Board, and administrative staff should make every effort to encourage participation of outside entities in performing grant programs activities. All evidence of either the scarcity of outside entity capacity or the district's positive or negative evaluation of responses to request for proposals should be well documented and the district's ultimate decision justified to allay any appearance of a conflict of interest.

*District Response:*

Agree with finding. Will respond more fully when audit report is issued.

*SWMP Response:*

The SWMP agrees with this recommendation.

*SWMP Recommendation:*

The SWMP recommends the district take the following actions to resolve Finding #1:

- a. The Council or Executive Board should develop and implement a written policy identifying the district's procedure for monitoring the qualifications, terms, and vacancies of its Council and Executive Board members;
- b. The Council or Executive Board should review and strengthen the district's written policy that prevents members being directly involved in evaluation, ranking, or approval of grant applications where conflict of interest, real or implied, exists;
- c. The Council or Executive Board should review the districts written policy for requesting proposals from outside entities and methods used to encourage their participation in performing grant programs activities. The Council or Executive Board should also strengthen the district's documentation process related to grant proposal evaluation, ranking, and approval of grant applications. This would include the provision of evidence that outside entity capacity is scarce within the boundaries of the district, as applicable; and
- d. Modifications made to the district's policies should be in writing and approved by the Council or Executive Board and documented within the district's signed meeting minutes.

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**2. Incomplete Minutes for Both Council and Executive Board Meetings (Repeat Finding).**

*Auditor Recommendation:*

- a. Minutes of all meetings should be signed by the Chairman and Secretary.
- b. The district should adopt and implement policies and procedures to ensure compliance with the Sunshine Law statutes.

*District Response:*

Will comply. Will respond more fully when audit report is issued.

*SWMP Response:*

The SWMP agrees with this recommendation.

*SWMP Recommendation:*

This issue was cited in the previous audit report for grant years beginning July 1, 1991, and ending June 30, 1997. Corrective action taken by the district did not adequately address the concern related to review and approval of Council or Executive Board meeting minutes. It is a good business practice for councils and boards to ensure an adequate review of their meeting minutes as it is the permanent record of actions taken by the Council or Executive Board. Additionally, failure to comply with the Missouri Sunshine Law can result in fines for the Council, Executive Board, or individual district members.

The SWMP recommends the district take the following actions to resolve Finding #2:

- a. The Council or Executive Board should amend the district's policy and related procedure to ensure all Council and Executive Board meeting minutes are reviewed, approved, and signed by the district chairperson and secretary; and
- b. The Council or Executive Board should review the district's policy and related procedure to ensure compliance with the Sunshine Law. Specifically, the Council and Executive Board should pay particular attention to 1.) The requirement for a written policy regarding the release of information on any meeting, record, or vote and 2.) the requirement for publicizing the date, time and place of open Executive Board meetings to the public; and
- c. Modifications or the addition of district policies should be in writing and approved by the Council or Executive Board and documented within the district's signed meeting minutes.

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**3. Inappropriate Recording of Equipment (Repeat Finding).**

*Auditor Recommendation:*

The district should include the paper-bailing machine at its total acquisition cost in the inventory records and incorporate the General Terms and Conditions requirements in its equipment policy.

*District Response:*

Will include paper-bailing machine in inventory records. Will respond more fully when audit report is issued.

*SWMP Response:*

The SWMP agrees with this recommendation.

*SWMP Recommendation:*

This issue was cited in the previous audit report for grant years beginning July 1, 1991, and ending June 30, 1997. Corrective action taken by the district did not adequately address the concern related to adequate recording of equipment in an inventory log. The district has yet to implement a policy and related procedure to define capital assets as an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost of \$5,000 or greater. This is evidenced by the district's expensing of a \$40,000 paper-bailing machine instead of recording it as a capital asset.

The SWMP recommends the district take the following actions to resolve Finding #3:

- a. The district should adopt a written policy and related procedure to account for and report capital assets including equipment in accordance with Department of Natural Resource's (DNR's) General Terms and Conditions, 1.H.;
- b. The district should provide to SWMP a copy of the inventory as verification of the paper-bailing machine's inclusion in the district's asset inventory; and
- c. Modifications or the addition of district policies should be in writing and approved by the Council or Executive Board and documented within the district's signed meeting minutes.

**4. Failure to Maintain Accounting Records as Required in Section 10 CSR 80-9.050(4)(B) (Repeat Finding).**

*Auditor Recommendation:*

Account numbers should identify program wages, program vehicle costs and other traceable costs and expenses when incurred. All reimbursable costs should be invoiced to provide clear reference to the project. All district financial activity must be clearly identifiable as district activity and must not be commingled with other entities' activities.

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*District Response:*

Will respond to this when audit report is issued.

*SWMP Response:*

The SWMP agrees with this recommendation.

*SWMP Recommendation:*

Similar findings were cited in the previous audit report for grant years beginning July 1, 1991, and ending June 30, 1997. At that time, the district procured services of an accounting firm to determine needed changes. The accounting firm identified three changes needing to be implemented by the district to allow for the district's financial statements and records to be in accordance with generally accepted accounting procedures. However, the actions taken to address the original finding did not result in adequate corrective action related to identification of state grant funds, as the findings are repeated within this report. Specifically, all solid waste management district financial activity must be clearly identifiable as district activity and must not be commingled with other entities' activities.

The SWMP recommends the district take the following actions to resolve Finding #4:

- a. The district should ensure compliance with 10 CSR 80-9.050(4)(B). This portion of the regulation requires an accounting system that accurately reflects all fiscal transactions, incorporates appropriate controls and safeguards, and provides clear references to the projects as agreed to in the Financial Assistance Agreement. Specifically, the accounting system of the district should clearly provide an account structure allowing for the identification, tracing, and reporting of grant funds. Also, the district should establish appropriate allocation methods of shared costs to various programs operated by the district;
- b. The district should provide a copy to SWMP of their modified chart of accounts identifying grant funds to verify the district's compliance with 10 CSR 80-9.050(4)(B);
- c. The district should provide a copy to SWMP of their allocation methodology for shared costs to allow for verification of the district's compliance with 10 CSR 80-9.050(4)(B); and
- d. Modifications or the addition of any district policies to bring the district into compliance should be in writing and approved by the Council or Executive Board and documented within the district's signed meeting minutes.

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**5. Failure to Adopt and Implement Adequate Accounting Control Systems (Repeat Findings)**

*Auditor Recommendation:*

The district should maintain adequate accounting and internal control systems that are sufficient to meet all objectives of safeguarding assets and includes appropriate check, petty cash, receipt, and reconciliation procedures as follows:

- a. Use prenumbered checks with identification of the solid waste district as the account owner for all checking accounts.
- b. Issue prenumbered receipt slips for all monies received, except for electronic transfers. Compare the listings of mail receipts to the deposit slips by an independent person having no access to cash. Segregate the duties of depositing monies and recording financial transactions in the general ledger.
- c. Segregate the duties of petty cash custodian from other cash duties and maintaining accounting records. Petty cash transactions should be periodically reviewed by an independent responsible person.
- d. Bank accounts should be reconciled monthly and documented. The bank balances should be reconciled to the checkbook balance, the general ledger, and the DNR Quarterly Project Financial Summary Report. The bank reconciliations should be reviewed by an independent responsible official.
- e. The district issue separate financial statements that includes only district assets, liabilities and fun balance.

*District Response:*

Will respond to this when audit report is issued

*SWMP Response:*

The SWMP agrees with this recommendation.

*SWMP Recommendation:*

This issue was cited in the previous audit report for grant years beginning July 1, 1991, and ending June 30, 1997. Corrective action taken by the district did not adequately address the concerns related to district accounting and internal control systems to sufficiently meet all objectives of safeguarding assets.

The district continued to use counter and starter checks for disbursement of grant funds. These counter and starter checks were unnumbered. A good business practice requires the use of only prenumbered documents to ensure the board and district management can assure themselves that all transaction-level events are identified timely and are accurate.

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The auditor noted the district does not issue pre-numbered cash receipt slips with the receipt of currency. A good system of checks and balances (i.e., internal controls) provides numbered receipts to customers and maintenance of a district copy to identify all revenue coming into the district. Currently, the internal control system at the district is inadequate. Additionally, segregation of duties issues were noted as the process used by the district for the recording, depositing, and reconciling of cash receipts and the disbursing, receiving, and accounting for petty cash does not use a sufficient number of staff to safeguard assets.

The SWMP recommends the district take the following actions to resolve Finding #5:

- a. The Council or Executive Board should amend their written policy and related district's procedures to maintain accounting systems adequate to safeguard assets such as:
  - use of prenumbered checks with identification of the solid waste district as the account owner for all checking accounts;
  - issue prenumbered receipt slips for all cash and checks, etc. received, except for electronic transfers, compare the listing of mail receipts to the deposit slips by an independent person having no access to cash, and segregate the duties of depositing monies and recording financial transactions in the general ledger;
  - segregation of cash receipts and petty cash disbursement functions;
  - periodic independent responsible person review of accounting and petty cash transaction records;
  - bank accounts should be reconciled monthly and documented, bank balances should be reconciled to the checkbook balance, the general ledger and the Quarterly Project Financial Summary form and bank reconciliations should be reviewed by an independent responsible official; and
  - the district issue separate financial statements that includes only district assets, liabilities and fund balance.
- b. During FY08, the district should provide supporting documentation (i.e., copies of monthly reconciled bank statements) with the quarterly Financial Summary form to SWMP to allow for verification that the district is reconciling monthly bank statements.
- c. The district should provide a copy of the invoice detailing the purchase of prenumbered receipt slips and a copy of one receipt to allow SWMP to verify this action has taken place.
- d. The district should provide an organization chart or workflow diagram detailing segregation of duty functions.
- e. Modifications or the addition of any district policies to bring the district into compliance should be in writing and approved by the Council or Executive Board and documented within the district's signed meeting minutes.

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**6. Failure to Print Recycled Symbol on Printed Materials (Repeat Finding)**

*Auditor Recommendation:*

Ensure that recycled paper is used for all documents and the recycle symbol is printed on at least one page of all materials.

*District Response:*

Agree with finding. Will respond more fully when audit report is issued.

*SWMP Response:*

The SWMP agrees with this recommendation.

*SWMP Recommendation:*

The SWMP recommends the district take the following actions to resolve Finding #6:

- a. In compliance with General Terms and Conditions, I.U., the Council or Executive Board should amend their written policy and related procedure to ensure that recycled paper is used as required. Specifically, all reports which are prepared as a part of the grant award and delivered to the MDNR should be on recycled paper. Recycled paper should also be used for any materials the district produces and makes available when using grant funds. Additionally, all materials produced in compliance with the requirement should display the recycled symbol on at least one page of all such printed materials;
- b. During FY08, the district should provide supporting documentation (i.e., copies of invoices detailing recycled content) with the quarterly Financial Summary form to SWMP to allow for verification that the paper used for grant related reporting and activities meets the requirement.
- c. Modifications or the addition of district policies should be in writing and approved by the Council or Executive Board and documented within the district's signed meeting minutes.