

**Final Audit Finding Resolution
Region B- North Missouri Solid Waste Management District**

1. Composition of the Executive Board.

Auditor Recommendation:

We recommend that the district be required to immediately establish an executive board. Since the district has recently implemented an eleven member Executive Board, an alternative management structure will need to be adopted which the district plans to establish at an upcoming meeting of the Board.

District Response:

The district agreed with our finding and recommendation.

SWMP Response:

The Solid Waste Management Program (SWMP) agrees with this recommendation.

SWMP Recommendation:

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

- a. The Council should immediately take the steps necessary to establish an Executive Board including any modifications that may be needed to the Council's bylaws;
- b. The district should provide to SWMP a listing of the members of the Executive Board to SWMP with submission of the next quarterly Financial Summary form; and
- c. Modifications made to the district's bylaws, policies and any related procedures should be in writing and approved by the Council and documented within the district's signed meeting minutes.

District Resolution Actions:

The North Missouri Solid Waste Management District (NWSWMD) Region B Board of Directors took the following actions to resolve Finding 1.

- a. The Board of Directors of the NWSWMD-Region B established an eleven member Executive Board on February 22, 2007. (Exhibit 1) We have started the process of setting up an alternative management structure, so that we will be able to have an eleven member Executive Board.
- b. The list of the current eleven member Executive Board. (Exhibit 7)
- c. Bylaws (Exhibit 6) and the minutes of the February 22, 2007, board meeting approving the bylaws. (Exhibit 1)

SWMP Response: (Finding Resolved)

With submittal of this information, the SWMP considers Finding 1 resolved.

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2. Board of Director Minutes.

Auditor Recommendation:

We recommend that the district be required to immediately adopt all required forms of documentation as stipulated by the Missouri Sunshine Law and the Joint Powers Agreement. We also recommend that the district inform all Board of Directors; that they must be active and participative; this will aid in establishing a legitimate quorum at the quarterly meetings.

District Response:

The district agreed with the finding and recommendation.

SWMP Response:

The SWMP agrees with this recommendation.

SWMP Recommendation:

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

- a. The Council or Executive Board should modify the by-laws and develop and implement a written policy identifying the district's procedure related to Council and Executive Board members. Specifically, these changes should result in the monitoring of qualifications, terms, vacancies, and attendance records including the actions to be taken when excessive absences are recorded;
- 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 taking of minutes and release of information on any meeting, record, or vote; 2.) The requirement for a quorum to be present to allow for district business to be conducted; and 3.) the requirement for publicizing the date, time and place of open Council or Executive Board meetings to the public; and
- c. Modifications made to the district's by-laws, policies and any related procedures should be in writing and approved by the Council or Executive Board and documented within the district's signed meeting minutes.

District Resolution Actions:

The NWSWMD Region B Board of Directors took the following actions to resolve Finding 2.

- a. Bylaws (Exhibit 6).
- b. Policy 2007-1 which states that the NWSWMD will comply with the Sunshine Law. (Exhibit 9) The minutes now include a list of all members that were present, absent, staff present, and other attendees; the date, location, and time of the meeting. We have a copy of the Sunshine Law with us during the meeting to look up any question we may have. We have a list of all board members and the Executive Board that the

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member will sign next to his/her name. We do roll call as soon as the meeting is called to order to confirm that we have a quorum present. I have also enclosed minutes from February 22, 2007 (Exhibit 1), April 26, 2007, (Exhibit 2), May 31, 2007, (Exhibit 3), June 28, 2007, (Exhibit 4), and August 23, 2007 (Exhibit 5) for you to review.

- c. Minutes of the February 22, 2007, (Exhibit 1) and August 23, 2007, meetings. (Exhibit 5)

SWMP Response: (Finding Resolved)

With submission of this information by the district, the SWMP considers Finding 2 resolved. Please note, the information submitted did not disclose the name of the custodian of record for the district. Section 610.023.1, RSMO, states “Each public governmental body is to appoint a custodian who is to be responsible for the maintenance of that body’s records. The identity and the location of a public governmental body’s custodian is to be made available upon request.” The district may wish to amend their policy to clearly disclose this information related to the district’s custodian of record.

3. Failure to Adopt Bylaws and Conduct Quarterly Meetings

Auditor Recommendation:

We recommend that the district be required to create a set of bylaws immediately and submit them to Department of Natural Resources (DNR) to demonstrate compliance with RSMo Section 260.320 and the Joint Powers Agreement in order to govern the manner in which its business may be transacted. Additionally, Board meetings should be held on a quarterly basis in order to keep an active and resourceful district.

District Response:

The District agreed with the finding and recommendation.

SWMP Response:

The SWMP agrees with this recommendation.

SWMP Recommendation:

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

- a. The Council should develop and adopt bylaws in accordance with the Joint Powers Agreement, Article 6, Section 2 and in compliance with RSMo Section 260.320;
- b. The Council should meet in accordance with their Joint Powers Agreement, Article 8, Section 6;
- c. During FY08, the Council should provide to SWMP a copy of their bylaws upon adoption and Quarterly Council Meeting Minutes with the district’s submission of the quarterly Financial Summary form; and

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- d. Adoption of the Council's Bylaws should be in writing and approved by the Council and documented within the district's signed meeting minutes.

District Resolution Actions:

The NWSWMD Region B Board of Directors took the following actions to resolve Finding 3.

- a. The Board of Directors of the NMSWMD -- Region B adopted bylaws at the February 22, 2007, meeting of the NMSWMD Board of Directors, which demonstrates our compliance with RSMO Section 260.320 and the Joint Powers Agreement. (Exhibit 6)
- b. The Board of Directors of the NMSWMD -- Region B will meet twice a year and the Executive Board of the NMSWMD -- Region B will meet four times a year. The District has a list of both boards and members must sign in and the Chairman makes sure that the district has a quorum before business is discussed. (Exhibit 7) and (Exhibit 8)
- c. Bylaws (Exhibit 6) and minutes of the February 22, 2007, meeting where the Board of Directors of the NMSWMD -- Region B adopted the bylaws. (Exhibit 1)
- d. The minutes of the February 22, 2007, meeting where the Board of Directors of the NMSWMD -- Region B adopted the bylaws. (Exhibit 1)

SWMP Response:

To allow for resolution of this finding, the District should provide copies of the quarterly meeting minutes, as requested in SWMP Recommendations, Item c., above.

4. Bank Reconciliations.

Auditor Recommendation:

We recommend that the district be required to reconcile bank statements on a timely basis, and the person performing the reconciliations initial the reconciliation to verify that, to their knowledge, it was performed timely and accurately. Additionally, we recommend that the district reconcile the 6/30/05 and 6/30/06 cash balances per the bank reconciliation to the official accounting records. In the future, the district should perform this reconciliation monthly. The district should also maintain documentation of any adjustments to the accounting system. Additionally, the bank reconciliation should be reconciled to the Quarterly Project Financial Reported submitted to DNR.

District Response:

The district agreed with the finding and recommendation and will implement procedures to complete the bank reconciliations on a timely and accurate basis. Additionally, they agreed to reconcile the bank statements to the district's accounting record to ensure that the bank reconciliation will agree with the accounting system.

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SWMP Response:

The SWMP agrees with this recommendation.

SWMP Recommendation:

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

- a. The Council or Executive Board should amend the district's policy and related procedures to strengthen accounting system internal controls including timely and accurate completion of the district's monthly bank account reconciliations;
- b. The Executive Board should monitor and make modifications to the district's accounting system to ensure compliance with the Joint Powers Agreement, Article 13. The agreement states the district shall keep correct and complete books and records of account. Further, DNR's General Terms and Conditions 1.E.3 states, "Effective control and accountability must be maintained for all subgrantee cash, real and personal property and other assets." Additionally, the Executive Board should periodically monitor the monthly bank reconciliation process. The Board should give particular attention to a process for authorizing and approving any adjustments required to reconcile the district's bank statements to the general ledger. The process should ensure reasons for such adjustments are adequately documented in the accounting records and are approved and included in the district's meeting minutes, as applicable;
- c. The district should immediately take action to reconcile the 6/30/05 and 6/30/06 cash balances per the bank reconciliation to the district's official accounting records and provide a copy of these reconciliations to SWMP; and
- d. Modifications or the additions 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.

District Resolution Actions:

The NWSWMD Region B Board of Directors took the following actions to resolve Finding 4.

- a. Policy 2007-2 (Exhibit 10)
- b. The Board of Directors and/or the Executive Board will have a copy of the bank statement in their board packet along with a copy of the checks that were written. The planner has all checks, deposits, and bank statements at each meeting for the members to review. The authorizing and approving of adjustments will not have to be done, since we have an accurate accounting system for the District. We have segregated duties to different people, so not one person has control over the District. There were errors in the previous accounting, and the prior bookkeepers did account adjustments for the amount the account was off, so that the accounts would balance. Since then, the invoices, deposits, and bank statements have been gone through and the account adjustments have been reversed out and the corrected entries have been made. The NMSWMD Board of Directors approved these adjustments on August 23, 2007. (Exhibit 5)

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- c. The district planner has reconciled the checking accounts and found all errors. The account adjustments were reversed out and the corrected entries made. This had to be done in order for the accounts to balance correctly. All funds are accounted for and the accounts balance to the bank statements. (Exhibit 18)
- d. Minutes of the NMSWMD Board of Directors meeting held on August 23, 2007 approving Policy 2007-2. (Exhibit 5)

SWMP Response:

To allow for resolution of this finding, the District should provide copies of the reconciled bank statements for 6/30/05 and 6/30/06 to the district's official accounting records and provide a copy of these reconciliations to SWMP, as requested in SWMP Recommendations, Item c., above.

5. Untimely Filing of UCC Financing Statement

Auditor Recommendation:

We recommend that the district be required to implement procedures to ensure that the district is in compliance with Special Terms and Conditions pertaining to the timely filing of UCC Financing Statements.

District Response:

The district agreed with our finding and recommendation, this was completed and filed on 10/17/06.

SWMP Response:

The SWMP agrees with this recommendation.

SWMP Recommendation:

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

- a. The district should review their current written policy and related procedures for filing of UCC Financing Statements and determine the need for modifications to ensure accurate and timely filing with the Secretary of State; and
- b. Modifications to district policies should be in writing and approved by the Council or Executive Board and documented within the district's signed meeting minutes.

District Resolution Actions:

The NMSWMD Region B Board of Directors took the following actions to resolve Finding 5.

- a. Policy 2007-3. (Exhibit 11)
- b. Minutes of the NMSWMD Board of Directors meeting held on August 23, 2007 approving Policy 2007-3. (Exhibit 5)

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SWMP Response:

Policy 2007-3 addresses the need for a UCC-1 to be filed with the State of Missouri's Secretary of State's Office, but does not address the need for a timely filing. We recommend the board amend this policy to address the timing of the filing of the security interest. At the same time, the board should include within the policy provisions other types of security instruments, such as liens and deeds of trust. These modifications

to the district's policies should be in writing and approved by the Council or Executive Board and be documented within the district's signed meeting minutes. To allow for resolution of this finding, please provide a copy of the amended policy and signed meeting minutes to the SWMP for full resolution of Finding 5.

6. Grant Evaluation Form (Repeat Finding).

Auditor Recommendation:

We recommend that the district evaluation form be revised to include all criteria required by state regulations.

District Response:

The district agreed with our finding and recommendation, and will implement procedures to ensure that these items are reviewed as part of the grant proposals.

SWMP Response:

The SWMP agrees with this recommendation.

SWMP Recommendation:

This issue was cited in the previous audit report for fiscal years beginning June 30, 1992, through June 30, 1995. Only eight criteria were used for 1994 grants and nine for 1995 grants. Corrective action taken by the district did not adequately address the concern related to the district evaluating grant proposals including all of the evaluation criteria required by statute.

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

- a. The district should review their current written policy and related procedures for use in evaluating projects and adopt a standardized evaluation form using all required criteria;
- b. The district should provide to SWMP a copy of their modified evaluation form using all of the criteria required by statute; and
- c. Modifications to 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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District Resolution Actions:

The NWSWMD Region B Board of Directors took the following actions to resolve Finding 6.

- a. Policy 2007-5. (Exhibit 13)
- b. Copy of the NMSWMD – Region B modified evaluation form. (Exhibit 16)
- c. Minutes of the NMSWMD Board of Directors meeting held on August 23, 2007 approving Policy 2007-5. (Exhibit 5)

SWMP Response: (Finding Resolved)

With submission of the District's policy and evaluation form including all 19 criteria, the SWMP considers Finding 6 resolved.

7. Reports Not Timely Filed.

Auditor Recommendation:

We recommend that the district be required to submit its reports to DNR within the time limits allowed by state rule, and that they maintain the signed and dated reports and submit a copy to the DNR.

District Response:

The district informed us that they do not make copies of the quarterly reports after they have been signed and dated; however, they would institute steps to identify their compliance in the future.

SWMP Response:

The SWMP agrees with this recommendation.

SWMP Recommendation:

- a. The district should review and amend the current written policy and related procedures for filing reports with DNR to ensure timely completion and maintenance of copies of quarterly and final (i.e., signed and dated) reports by the district; and
- b. Modifications to 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.

District Resolution Actions:

The NWSWMD Region B Board of Directors took the following actions to resolve Finding 7.

- a. Policy 2007-6. (Exhibit 14)
- b. Minutes of the NMSWMD Board of Directors meeting held on August 23, 2007 approving Policy 2007-6. (Exhibit 5)

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SWMP Response:

The second component of Finding 7 and addressed in the SWMP Recommendation, Item a. above, is the need for the district to retain copies of the quarterly and final reports (i.e., signed and dated) within the district's official records. In reviewing Policy 2007-6, no reference is seen related to record retention. If the district has a separate record retention policy, please provide a copy or amend the reporting policy to reflect retention of a copy of the district's reports. A copy of the amended Policy and minutes approving the amendment should be provided to the SWMP.

8. Equipment Management – Restricted to Subgrantees Only (Repeat Finding).

Auditor Recommendation:

We recommend that all required items be maintained in the property records and that a physical inventory of property be taken and the results reconciled with the property records at least once every two years in accordance with DNR General Terms and Conditions.

District Response:

The district agreed with the finding and recommendation and will implement procedures to ensure that a physical inventory of property is taken and reconciled to the property records at least once every two years. Additionally, the district will update its property records to ensure that all items required are maintained in the property records.

SWMP Response:

The SWMP agrees with this recommendation.

SWMP Recommendation:

This issue was cited in the previous audit report for fiscal years beginning June 30, 1992, through June 30, 1995. Corrective action was not taken by the district to address the concern.

The SWMP recommends the district take the following actions to resolve Finding #8:

- a. The district should establish 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. During FY'08, the district should provide to SWMP a copy of a physical inventory as verification of the district's compliance with this requirement; 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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District Resolution Actions:

The NWSWMD Region B Board of Directors took the following actions to resolve Finding 8.

- a. Policy 2007-3 (Exhibit 11) and Policy 2007-4. (Exhibit 12)
- b. Copy of the NWSWMD – Region B’s physical inventory (Exhibit 17).
- c. Minutes of the NMSWMD Board of Directors meeting held on August 23, 2007 approving Policy 2007-3 and Policy 2007-4. (Exhibit 5)

SWMP Response:

In the following table, we have detailed the physical inventory record minimum requirements as set forth in 10 CSR 80-9.050(7)(K) compared to the district’s policy (Exhibit 11) and the physical inventory (Exhibit 17) provided in your response document.

10 CSR 80-9.050(7)(K)	Policy 2007-3	Physical Inventory (Exhibit 17)
Description of the equipment	Description of the equipment	Description of Item and Employee Name (This column further describes the exact location of the property.)
A serial number or other identification number	A serial number or other identification number	Tag No. and Manufacturers’ Serial No.
The source of the property	The source of the property	(P.O. No.)
The acquisition date	The acquisition date	
Cost of the property	Cost of the property	Original Cost
Percentage of state funds used in the cost of the property		
	Percentage of federal participation in the cost of the property	
Location	Location	Location and Office
Use	Use	
Condition of the property	Condition of the property	Misc. (Provides condition of property or property has been removed from inventory and action date.)

The physical inventory (Exhibit 17) does not fully meet the rule requirements or the district’s policy (Exhibit 11). Please review and take the necessary action to bring the district’s policy and physical inventory listing into compliance with the rule. Any modifications to the policy should be in writing and a copy provided to the SWMP. Upon inclusion of the additional information in the physical inventory listing, please provide an amended copy of the inventory to allow for full resolution of this finding.

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9. Allocation of Grant Funds.

Auditor Recommendation:

We recommend the district be required to implement procedures that time and effort be reported properly to allocate salaries between the Regional Planning Commission and the Solid Waste Management District.

District Response:

The district agreed that time reporting procedures should be implemented to clearly demonstrate the allocation of salaries between the two divisions.

SWMP Response:

The SWMP agrees with this recommendation.

SWMP Recommendation:

The SWMP recommends the district take the following actions to resolve Finding #8:

- 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. Also, the district should establish appropriate allocation methods for shared costs to various programs operated by the district;
- b. 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). Specifically, the district should provide information detailing time and effort allocations between the district and the Planning Commission and justification for the process used;
- c. During FY08, the district should submit to SWMP documentation detailing the time allocations between the district and the Planning Commission with the quarterly Financial Summary form; and
- d. Modifications or the addition of any district policies, procedures, and processes 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.

District Resolution Actions:

The NWSWMD Region B Board of Directors took the following actions to resolve Finding 9.

- a. The Green Hills Regional Planning Commission utilizes an accounting software program called GMS (Grant Management Systems). GMS is designed for agencies whose income is based on program/grant administration. The program automatically calculates indirect charges based on staff hours charged to program/grants. Policy 2007-7 (Exhibit 15)

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- b. The Green Hills Regional Planning Commission uses a direct costs method. The postage machine, copy machine, fax machine, and phone system have key systems and every program/grant has its own number. Policy 2007-7 (Exhibit 15)
- c. The Green Hills Regional Planning Commission uses a timesheet that allocates time for each program/grant. Policy 2007-7 (Exhibit 15)
- d. Minutes of the NMSWMD Board of Directors meeting held on August 23, 2007 approving Policy 2007-7. (Exhibit 5)
- e. Also included is the administrative budget for FY08 that was approved by the board on August 23, 2007. (Exhibit 19)

SWMP Response: **(Finding Resolved)**

With submission of this information, Finding 9 is resolved.