



Missouri
Department of
Natural Resources

Final Audit Finding Resolution
Region D-Recycling & Waste Management District
April 1, 2005 – March 31, 2007

1. 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 state regulations pertaining to the timely filing of UCC Financing Statements.

District Response:

The District stated, “We now understand the bar code is not a confirmation of filing, we will look for an acceptance stamp on all UCC filings and will not disburse funds until this is completed.”

SWMP Response:

We concur with the auditor’s recommendation.

SWMP Recommendations:

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

- 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 with copies provided to the SWMP.

2. 15% Withheld (Retainage)

Auditor Recommendation:

We recommend that the District implement procedures to ensure that the District retains 15% of sub-grant funds until board approval of the final report and accounting of project expenditures as well as the project end date per the FAA.

District Response:

The District stated, “The process has been revised and the FAA now states 15% will be withheld the entire project period.”

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SWMP Response:

We concur with the auditor's recommendation.

SWMP Recommendations:

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

- a. The District should review and ensure the current written policy and related procedures ensure withholding of the 15% retention amount to reduce to a minimum the likelihood of recurrence of this finding; and
- b. Modifications to the District's policies to bring the District into compliance should be in writing and approved by the Executive Board and documented within the District's signed meeting minutes with copies provided to the SWMP.

(Note: The amended 10 CSR 80-9.050 effective on 10/30/07 states "For reimbursements or direct payments, the District may release the fifteen percent (15%) retainage prior to completion of the grant project with prior approval of the Executive Board and the department." If the District elects to implement a procedure to allow for release of the retainage prior to the filing of the final report and accounting, such procedure should be in writing and approved by the Executive Board and documented within the District's signed meeting minutes. A copy of the modified procedure and minutes should be provided to the SWMP.)

3. Public Notification of Bids

Auditor Recommendation:

We recommend the District and all sub-grantees place public notice to bid for any purchase that is budgeted to exceed \$25,000.

District Response:

The District stated, "We will double check budget amounts and require public bid notification of all items over \$25,000.

SWMP Response:

We concur with the auditor's recommendation.

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SWMP Recommendations:

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

- a. The Executive Board should modify the District's procurement policies and related procedures to address the need for compliance with state procurement requirements. Specifically, the procedures must include adequately documenting bids including sole source justification and retention of procurement records;
- b. We recommend development of a District procurement form for ease in recording bids and for record retention purposes. Additionally, the District is required to pass these same requirements down to their sub-grantees. To ensure compliance, the District should request submission of the sub-grant applicant's procurement policies as part of the grant application process;
- c. District staff as part of their on-site visits to sub-grantees should review completed procurement files for goods and services purchased by the sub-grantee to verify their compliance with the submitted procurement policy; and
- d. Modifications made to the District's policies should be in writing and approved by the Executive Board and documented within the District's signed meeting minutes with copies provided to the SWMP.

4. Proof of Clear Title

Auditor Recommendation:

We recommend the District require proof of the District's security interest in items that are required to be titled in the State of Missouri and funded by the District. Related documentation should be maintained.

District Response:

The District stated, "We will require a copy of a title showing the District as a lien holder."

SWMP Response:

We concur with the auditor's recommendation.

SWMP Recommendations:

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

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- a. The District should review their current written policy and related procedures for timely filing of UCC Financing Statements, as noted in Finding #1 above, require sub-grantees provide the District a clear title to be held until the District's security interest has been fully depreciated, or in the case of equipment with multiple lien holders that the District is listed as a lien holder on the title, and determine the need for any modifications to ensure compliance with the MDNR's General Terms and Conditions; and
- b. Modifications to District policies should be in writing and approved by the Executive Board and documented within the District's signed meeting minutes with copies provided to the SWMP.

5. Annual Equipment Use Statements from Sub-grantees

Auditor Recommendation:

We recommend that the District require a written annual statement from sub-grantees stating that equipment, buildings, and site improvements purchased with District funds are used solely for the intended purpose.

District Response:

The District stated, "We have created a form to verify this information and will use it in the future."

SWMP Response:

We concur with the auditor's recommendation.

SWMP Recommendations:

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

- a. The District will establish a written policy and related procedure to obtain an annual use statement from sub-grantees for equipment purchased, in whole or in part, with SWMF monies;
- b. The District should provide to SWMP a copy of the FY2008 use statements provided by sub-grantees 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 Executive Board and documented within the District's signed meeting minutes with a copy provided to the SWMP.

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6. Reporting to DNR

Auditor Recommendation:

We recommend that the District implement procedures to ensure that quarterly reports are submitted throughout the entire project period as stated in the FAA and the final report is submitted within 30 days of the project end date stated on the FAA.

District Response:

The District stated, “This condition has already been corrected in more recent grants.”

SWMP Response:

We concur with the auditor’s recommendation.

SWMP Recommendations:

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

- a. The Executive Board should review and modify as needed the policy and related procedure to include specific procedures requiring timely filing of project documents by District staff to meet reporting deadlines for quarterly and final reports as set forth in 10 CSR 80-9.050; and
- b. Modifications made to the District’s policies should be in writing and approved by the Executive Board and documented within the District’s signed meeting minutes with copies provided to the SWMP.

7. Diversion Reporting

Auditor Recommendation:

We recommend the District report actual diversion totals from activities directly related to the project.

District Response:

The District stated, “We will alter tables to include items specific to the grant.”

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SWMP Response:

We concur with the auditor's recommendation. The District should only be reporting the diversion attributable to a grant project on that project's quarterly project status reports. Other diversion may be documented by the District and reported in the Annual Report.

SWMP Recommendations:

The SWMP recommends the District take the following actions to resolve Finding #7:

- a. The Executive Board should review and modify as needed the policy and related procedure to require reporting of the volume or weight in tons of waste diverted for each type of recovered material utilized in District grant projects, if appropriate, as set forth in 10 CSR 80-9.050(3)(B)1; and
- b. Modifications made to the District's policies should be in writing and approved by the Executive Board and documented within the District's signed meeting minutes with copies provided to the SWMP.

8. Stale Dated Checks

Auditor Recommendations:

We recommend that the District implement procedures to ensure that stale dated checks are researched and a stop payment is placed on all stale dated checks.

District Response:

The District stated, "We will determine the bank's policy on stale dated checks and develop our own system to deal with stale dated checks in the future."

SWMP Response:

We concur with the auditor's recommendation.

SWMP Recommendations:

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

- a. The Executive Board should review and modify as needed the policy and related procedure to ensure that District stale dated checks are researched and a stop payment is placed on such stale dated checks to adequately protect District assets; and

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- b. Modifications made to the District’s policies should be in writing and approved by the Executive Board and documented within the District’s signed meeting minutes with copies provided to the SWMP.

9. Failure to Report Program Income

Auditor Recommendation:

We recommend that the District promptly report all program income on the Quarterly Project Financial Summaries submitted to the MDNR.

District Response:

The District stated, “The project was through another District that did quarterly reporting, we will list the income on the next Quarterly Report.”

SWMP Response:

We concur with the auditor’s recommendation.

SWMP Recommendations:

The SWMP recommends the District take the following actions to resolve Finding #9:

- a. The Executive Board should review and modify as needed the policy and related procedure to ensure that District program income is appropriately reported on the Quarterly Project Financial Summary; and
- b. Modifications made to the District’s policies should be in writing and approved by the Executive Board and documented within the District’s signed meeting minutes with copies provided to the SWMP.

10. Office and Storage Lease

Auditor Recommendation:

We recommend the District enter into a written lease for all spaces rented by the District.

District Response:

The District stated, “We have spoken to the Mayor and it will be addressed.”

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SWMP Response:

We concur with the auditor's recommendation.

SWMP Recommendations:

The SWMP recommends the District take the following actions to resolve Finding #10:

- a. The Executive Board should review and modify as needed the policy and related procedure to ensure that District accounting records are supported by source documentation such as cancelled checks, paid bills, payrolls, time and attendance records, contract, and agreement award documents as set forth in 10 CSR 80-9.050(7)(B); and
- b. Modifications made to the District's policies should be in writing and approved by the Executive Board and documented within the District's signed meeting minutes with copies provided to the SWMP.

11. Printed Materials

Auditor Recommendation:

We recommend that the District implement procedures to ensure that all printed materials distributed by the District or any sub-grantee of the District properly credit MDNR for funding and identify the Department and its logo.

District Response:

The District responded, "This condition has been corrected."

SWMP Response:

We concur with the auditor's recommendation.

SWMP Recommendations:

The SWMP recommends the District take the following actions to resolve Finding #11:

- a. The Executive Board should review and modify the District's policy to require staff and the District's sub-grantees review all materials prior to printing to ensure MDNR and its logo are identified and credit is given for funding the project; and
- b. Modifications made to the District's policies should be in writing and approved by the Executive Board and documented within the District's signed meeting minutes with copies provided to the SWMP.

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12. Property Lacking MDNR Tag

Auditor Recommendation:

We recommend the District place a MDNR sticker on all equipment purchased with MDNR funds.

District Response:

The District stated, “We are in the process of correcting this condition.”

SWMP Response:

We concur with the auditor’s recommendation.

SWMP Recommendations:

The SWMP recommends the District take the following actions to resolve Finding #12:

- 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 and placement of appropriate signage or stickers to disclose use of MDNR funding;
- b. During FY’08, the District should provide to SWMP a copy of a physical inventory including physical asset tag numbers 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.

13. Sunshine Law Compliance

Auditor Recommendation:

We recommend that the District be required to immediately adopt all required forms of documentation as stipulated by the Missouri Sunshine Law.

District Response:

The District agreed with the finding and recommendation.

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SWMP Response:

We concur with the auditor's recommendation.

SWMP Recommendations:

The SWMP recommends the District take the following actions to resolve Finding #13:

- a. The Executive Board and Council will review and make needed amendments to the District's policy and related procedure to ensure all Council and Executive Board meeting minutes include the following:
 - i. whether the meeting was opened or closed to the public; and
 - ii. the place in which the meeting was held.
- b. Any modifications made to the District's policies and procedures should be in writing and approved by the board and documented within the District's signed meeting minutes with copies provided to the SWMP.

14. Executive Board Meetings

Auditor Recommendation:

We recommend that the Executive Board meet quarterly as stated in the District Bylaws.

District Response:

The District stated, "We will abide or change the bylaws."

SWMP Response:

We concur with the auditor's recommendation.

SWMP Recommendations:

The SWMP recommends the District take the following actions to resolve Finding #14:

- a. The Council should have a procedure in place to annually review and make amendments, as needed, to the Council's by-laws:
- b. The SWMP recommends the Council review its by-laws and either meet quarterly or amend the by-laws to reflect the Council's actual practice, which must be in compliance with 260.320.2, RSMO; and
- c. Any modifications to the Council's by-laws should be in writing and a copy submitted to the SWMP along with a copy of the Council's meeting minutes reflecting approval of the by-law amendments.

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15. Proposal Review and Evaluation

Auditor Recommendation:

We recommend that the District implement a plan to ensure that the required criteria are included in the District's project proposal review and evaluation procedures.

District Response:

The District stated, "We will incorporate the needed criteria into our proposal evaluation in the next grant period."

SWMP Response:

We concur with the auditor's recommendation.

SWMP Recommendations:

The SWMP recommends the District take the following actions to resolve Finding #15:

- 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 Executive Board and documented within the District's signed meeting minutes with a copy provided to the SWMP.

16. Internal Controls

Auditor Recommendation:

We recommend that the District implement procedures so that all cash handling functions performed by the District Coordinator are reviewed by a board member including all petty cash transactions.

District Response:

The District stated, "We will consider removing the District Coordinator from the checking account signature card and the treasurer will continue to monitor the cash function monthly and we will consider eliminating the petty cash fund."

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SWMP Response:

We concur with the auditor's recommendation.

SWMP Recommendations:

The SWMP recommends the District take the following actions to resolve Finding #16:

- a. The Executive Board should adopt a written policy that requires Executive Board monitoring of District expenditures given the District's limited staffing to ensure adequate segregation of duties and that funds are only used for necessary and appropriate expenditures for reducing solid waste and expanding recycling activities; and
- b. Modifications made to the District's policies should be in writing and approved by the executive board and documented within the District's signed meeting minutes with copies provided to the SWMP.

17. Payroll

Auditor Recommendation:

We recommend that the District disburse paychecks only after the pay period end and that all bonuses be included on the employee's W-2 form.

District Response:

The District stated, "The District Coordinator attended National Recycling Coalition annual meeting for the remainder of the pay period and the check was needed to fund expenses as there was no District credit card at the time. We will continue to issue paychecks at the pay period end. Bonuses will be included on W-2's in the future."

SWMP Response:

We concur with the auditor's recommendation in regard to paycheck disbursement. We understand a non-routine issue, such as the need to pay an employee early outside the normal pay cycle to accommodate a business need (i.e., conference attendance) may warrant an exception. The procedural exception should be noted in the District's meeting minutes and receive Executive Board approval.

Additionally, a bonus paid to a District staff member is incentive compensation and as such would be allowable to the extent that the overall compensation is determined to be

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reasonable and that such longevity bonus costs are paid pursuant to an agreement entered into in good faith between the organization and the employee before the services are rendered, or pursuant to an established written policy followed consistently by the District and in place at the start of the period covered by such bonus. Since it is unclear such a policy existed at the time this bonus was paid, we request the District take action to establish such a policy or discontinue longevity bonuses as the costs would be unallowable.

SWMP Recommendations:

The SWMP recommends the District take the following actions to resolve Finding #17:

- a. The Executive Board should consider the merits of providing longevity bonuses and either establish a policy or discontinue the practice. In establishing such a policy, the Executive Board should consider the reasonableness of the award amount and weigh the benefit received by the District from such awards. Bonuses to be awarded to District staff should be clearly disclosed in the annual District Operations application;
- b. The Executive Board should review and amend the District's policy and related procedures to ensure assets are adequately safeguarded and disbursed only when due. Additionally, if the Executive Board determines a need for an exception process to allow for early payment, such process should be documented in the District's policies and procedures; and
- c. Modifications of or additions to District policies are required to be in writing, approved by the Executive Board, documented within the District's signed meeting minutes with a copy provided to the SWMP.