

INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES

REGION M SOLID WASTE  
MANAGEMENT DISTRICT  
WEBB CITY, MISSOURI

FOR THE PERIOD JULY 1, 2004 THROUGH  
JUNE 30, 2006



MCBRIDE, LOCK & ASSOCIATES  
CERTIFIED PUBLIC ACCOUNTANTS  
KANSAS CITY, MISSOURI

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REGION M  
SOLID WASTE MANAGEMENT DISTRICT  
WEBB CITY, MISSOURI

TABLE OF CONTENTS

	<u>Schedule</u>	<u>Page</u>
History and Organization		1
Independent Accountant's Report on Applying Agreed-Upon Procedures		3
Schedule of Findings and Questioned Costs	I	7
Schedule of Prior Audit Findings	II	20
Schedule of Prior SAO Audit Findings	III	22
Schedule of Status of Subgrant Awards	IV	24
Schedule of Cash Balance	V	28
Schedule of State Funding	VI	29

## REGION M SOLID WASTE MANAGEMENT DISTRICT

### History and Organization

Missouri's 20 solid waste management districts were created to foster regional cooperation among cities and counties in addressing solid waste management issues. The main function of a district is to develop a solid waste management plan with an emphasis on diverting waste from landfills and to assist with implementation of the plan. Plans should include provisions for a range of solid waste activities: waste reduction programs; opportunities for material reuse; recycling collection and processing services; compost facilities and other yard waste collection options; education in schools and for the general public; management alternatives for items banned from Missouri landfills and household hazardous waste; and preventive or remediation of illegal dumps. To help achieve their goals, districts administer grants to public and private entities within their district, made possible with monies from the Solid Waste Management Fund through the Missouri Department of Natural Resources (MDNR).

The Region M Solid Waste Management District was formed pursuant to Revised Statutes of Missouri (RSMo), 260.305 and was officially recognized by the MDNR in December 1991. In September 1994, the MDNR officially recognized the inclusion of Newton and McDonald Counties as a part of Solid Waste Regional Grouping M. The District includes the City of Joplin and the counties of Vernon, Barton, Jasper, McDonald, Newton, and their participating cities with a population of 500 or more. Participation in the District is voluntary and is formally established through a resolution of adoption filed with the District office by the member governments. The purpose is to develop and improve efforts to reduce the amount of solid waste generated and disposed of in a five county region to meet the goals set out in RSMo, Chapter 260. The District will make recommendations and suggestions relating to solid waste collection, storage, transportation, remanufacture, and disposal. The District also intends to promote local problem solving and autonomy in solid waste management systems.

The District is operated through an administrative contract with Harry S. Truman Coordinating Council (HSTCC). Region M's management structure is comprised of a Management Council consisting of 21 voting members and 7 nonvoting members and an Executive Board consisting of eleven members. The Executive Board is comprised of one representative from each member county, one representative from the largest city within each member county, and a representative from the City of Joplin. During fiscal year 2006, it was noted there was a vacancy in the Jasper County position. The Executive Board and Management Council serve one (1) year terms.

#### Executive Board Members:

- City of Nevada, Vernon County: Ron Clow
- Vernon County Commission: Bonnie McCord
- City of Lamar, Barton County: Lynn Calton
- Barton County Commission: Dennis Wilson
- City of Oronogo, Jasper County: Gloria Bottom
- City of Joplin, Melodee Colbert-Kean
- City of Seneca, Newton County: Gary Roark

Missouri Department of Natural Resources

- Newton County Commission: Jerry Carter
- City of Pineville, McDonald County: Janis Melton
- McDonald County Commission: Gayle Brock

The governing body of the Region M Solid Waste Management District is the Executive Board elected by the Management Council.

Management Council:

- City of Webb City, John Biggs
- City of Granby, Donna Fulerton
- City of Granby, Jo Ann Lamp (non-voting)
- City of Joplin, Mary Anne Phillips (non-voting)
- City of Joplin, Phil Stinnett (non-voting)
- City of Joplin, Guy Palmieri
- City of Lamar, Lynn Calton
- City of Cartersville, Debra Cornell (non-voting)
- City of Cartersville, Ron Doss
- City of Goodman, Carson Bunch
- City of Diamond, Dale Privett
- City of Carthage, Chad Wampler
- City of Carl Junction, Joe Barfield
- City of Oronogo, Gloria Bottom
- City of Pineville, Janis Melton
- City of Nevada, Ron Clow
- McDonald County, Gayle Brock
- McDonald County, Bill Wilson
- McDonald County, Sam Gaskill (non-voting)
- Vernon County, Bonnie McCord
- Vernon County, Neal Gerster
- Vernon County, C David Darnold (non-voting)
- Barton County, John Stockdale
- Barton County, Dennis Wilson
- Newton County, Jerry Black
- Jasper County, Darieus Adams
- Jasper County, Jim Honey
- Ozark Recycling Center, Chris Mikeska (non-voting)

## McBRIDE, LOCK & ASSOCIATES

### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED UPON PROCEDURES

Missouri Department of Natural Resources and  
Region M Solid Waste Management District  
Webb City, Missouri

We have performed the procedures enumerated below, which were agreed to by the Missouri Department of Natural Resources (MDNR), solely to assist you in evaluating the effectiveness of the Region M Solid Waste Management District's compliance with state law, regulations, and policies, for the period July 1, 2004 through June 30, 2006. Management is responsible for the District's internal control over compliance with these requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the *American Institute of Certified Public Accountants* and the *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

Our procedures, as set forth in the MDNR Solid Waste Management District *Agreed-Upon Procedures Engagement*, and findings are as follows:

1. **History and Organization.** We reviewed the history and organization of the District for compliance with the Revised Statutes of Missouri (RSMo). This included review of the:
  - District organization;
  - Executive Board structure, Council structure, terms and functions, including if the District was organized under an alternative management structure;
  - Policies and procedures for monitoring members of the Executive Board and Council; and
  - District by-laws.

**Findings:** See Finding No.14.

2. **Minutes of Meetings.** We reviewed all minutes of meetings for the Council and the Executive Board for the engagement period and selected six meetings and completed Attachment 1 *The Missouri Sunshine Law Compliance Checklist* to determine if meetings are documented as required.

**Findings:** See Finding No.15.

3. **Follow-up to Prior Audit.** We determined what actions the staff has taken to correct the findings, including the status and corrective action.

**Findings:** See Finding Nos. 6, 7, 10, 13, and 19.

Missouri Department of Natural Resources

4. **Follow-up to Missouri State Auditor's Office (SAO) Report.** We performed follow-up review on the Missouri State Auditor's Office (SAO) Report on the Solid Waste Management Program, released in February 2006 (Report No. 2006-10). Specifically, the following procedures were performed:

- We reviewed the correspondence and Audit Resolution Plan between MDNR and the District;
- We scanned the accounting records and reviewed invoice and payment documentation for any unnecessary or inappropriate expenditures;

**Findings:** See Finding Nos. 1, 3, 9, 13, and 18.

5. **Internal Controls.** We completed Attachment 2 *Internal Control Questionnaire* which identifies strengths and weaknesses of the internal controls.

**Findings:** See Finding No. 19.

6. **Cash.** We obtained a listing of all bank account names and numbers of the District and performed the following:

- Verified the bank reconciliation process;
- Confirmed with MDNR advanced funds for deposit;
- Evaluated control, custody and signing of check stock;
- Analyzed 10 payroll checks;
- Reviewed local funds;
- Reconciled year-end cash balances by type, state, local, etc., to amounts reported to MDNR;
- Verified the allocation and use of interest income; and
- Reviewed the District's cash management practices.

**Findings:** See Finding No. 12.

7. **Administrative/Management Services.** We determined that the District contracts out administrative/management services, and:

- Determined that contract terms are written and properly approved,
- Reviewed the contract for propriety and reasonableness, and
- Reviewed invoices and supporting documentation to determine that payments for services are appropriate, properly approved, and in compliance with the contract terms.

**Findings:** None.

8. **General and Special Terms and Conditions.** We documented the District's compliance with general and special terms and conditions of the financial assistance agreement with MDNR for the following requirements:

- Non-Discrimination;

- Environmental Laws and Eligibility;
- Hatch Act and Restrictions of Lobbying;
- Program Income;
- Equipment Management;
- Prior Approval for Publications;
- Audit Requirements;
- Recycled Paper; and
- Contracting with Small and Minority Firms.

**Findings:** See Findings Nos. 6, 7, 13, 16, and 17.

9. **Planning Organizational Grant.** We reviewed the expenditures of carryover from FY 2004 planning organization grant funds for proper close-out of the grant. (These funds were discontinued in FY 2005.)

**Findings:** None.

10. **District Grants.** We obtained a schedule of District grants from the MDNR and completed the *Guidance Document for Solid Waste Management District Grants*. This included the review, evaluation and testing for the:

- Proposal Procurement Process;
- Proposal Review and Evaluation; and
- Awarded Projects.
  - Associated Recyclers of the Midwest – new equipment, 2005124
  - Associated Recyclers of the Midwest – facility, 2005125
  - Associated Recyclers of the Midwest – education, 2005126
  - City of Nevada – recycling center improvements, 2005130
  - City of Granby – new equipment, 2005136
  - City of Carthage – new equipment, 2005137
  - City of Joplin – electronic waste collection, 2005139
  - Region M SWMD – administration, 2005141
  - Associated Recyclers of the Midwest. – facility operation, 200605
  - Newton County – litter program, 200619
  - McDonald County – litter program, 2006020
  - Region M SWMD – administration, 2006021
  - Region J Quad Lakes SWMD –feasibility study, 2006022

**Findings:** See Finding Nos. 1, 2, 3, 4, 5, 8, 9, 10, and 11.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the District's internal control over compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Department of Natural Resources of the State of Missouri and the Region M Solid Waste Management District and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

*McBride, Lock & Associates*

McBride, Lock & Associates  
Certified Public Accountants

August 7, 2007

**REGION M  
SOLID WASTE MANAGEMENT DISTRICT  
WEBB CITY, MISSOURI**

Schedule of Findings and Questioned Costs  
For the Two Fiscal Years Ended June 30, 2006

**1. Expired Financial Assistance Agreement**

**Condition** – Review of projects 2005125, 2005126, and 200619 revealed that the Financial Assistance Agreements (FAA's) have expired before final retainage was released. In addition, project 200620 has an amended FAA to extend the grant period; however, it has not been signed by the subgrantee and a board member.

**Criteria** – 10 CSR 80-9.050(4)(G) states, "Funding for approved subgrants will be forwarded to the District upon receipt of a completed, signed and dated invoice and financial assistance agreement for each individual subgrant."

**Effect** – The District is at risk to reimburse MDNR for grant funds awarded to projects which incurred expenditures subsequent to the expiration of the FAA.

**Cause** – There was no project activity subsequent to the expiration of the FAA, therefore, no amendment was filed. Administrative staff changed at the county causing delays in reporting at the subgrantee. The District did not timely provide an amended FAA to the subgrantee.

**Recommendation** – We recommend that the District be required to implement procedures to ensure that a current FAA is maintained for each open grant award.

**District Response** – The District stated, "This was already addressed in a prior audit, steps have been put into place to assure this will not occur again."

**2. Untimely Filing of UCC Financing Statement**

**Condition** – A UCC Financing Statement to document the property lien on the newly purchased equipment under project numbers 2005124 and 2005136 was not completed and filed with the Secretary of State in a timely manner. The UCC filing for equipment for these projects was approximately 12 months and 9 months after the purchase of the equipment. In addition, project 2005137 has not had the UCC filed to date on equipment purchased in 2006.

**Criteria** – MDNR Special Terms and Conditions state, "The subgrantee hereby grants to the District, its successors and assigns a security interest in all equipment purchased for \$5,000 or more, in whole or in part, with SWMF monies. ...The security interest of the District shall decrease at a rate of 25% per year, beginning on the start date of the project period as set forth in the financial assistance agreement between the District and the subgrantee."

**Effect** – The District risks the subgrantee transferring, selling, or pledging the District’s security interest as collateral by not filing the UCC-1 in a timely manner.

**Cause** – UCC filings were rejected and District personnel were not aware it was their responsibility to re-file.

**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** – This was an oversight, and the District will create a “checklist” to prevent this from occurring in the future.

3. **Proof of Insurance**

**Condition** – The District does not require proof of insurance for equipment, buildings, and site improvements purchased or constructed by subgrantees.

**Criteria** – The MDNR Special Terms and Conditions state, “The subgrantee shall procure and maintain insurance, with financially sound and reputable insurance companies in such amounts and covering such risks as are usually carried by companies engaged in the same or similar business and similarly situated, on all equipment purchased and all buildings and site improvements purchased or constructed with Solid Waste Management Fund monies.”

**Effect** – Without obtaining proof of insurance, the District cannot be assured assets purchased with grant monies would be able to be replaced in the event of fire, theft, or loss.

**Cause** – The District believed that proof of insurance was not required.

**Recommendation** – We recommend the District adopt a procedure that assures all equipment and property funded by the District is properly insured and that proof of insurance is reviewed and maintained.

**District Response** – The District stated. “We have begun requiring proof of insurance beginning in calendar year 2007 and funds are not disbursed before proof of insurance is provided.”

4. **Proof of Clear Title**

**Condition** – The District does not require proof of clear title on equipment purchased with grant monies that is required to be titled in the State of Missouri.

**Criteria**- MDNR Special Terms and Conditions state, if the equipment purchased with SWMF monies is required to be titled through the Missouri Department of Revenue, the Solid Waste Management District must be listed as a lien holder on said title. The sub-grantee must provide the District a clear title to be held until the security interest (lien) has been fully depreciated. In the case of more than one lien holder, the sub-grantee must provide the District with documentation that the District is listed as a lien holder on the title.

It is the responsibility of the District to obtain the UCC-1 forms and meet all requirements regarding their use.

**Effect** – The District is at risk for the amount of the unsecured interest in equipment funded by grant monies.

**Cause** – The District did not believe it was necessary to require proof of clear title on vehicles and equipment.

**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 create a process to ensure that a copy of a title showing the District as a lien holder is maintained.”

5. **Annual Equipment Use Statements from Subgrantees**

**Condition** – The District does not require annual statements from subgrantees stating equipment, buildings, and site improvements purchased with District funds are used solely for the intended purpose.

**Criteria** - MDNR Special Terms and Conditions state “Use of Equipment. Sub-grantee hereby agrees that any equipment, buildings, and site improvements purchased pursuant to this agreement shall be used for the performance of services under this agreement during the terms of this agreement, and for three years thereafter. Sub-grantee shall annually submit a statement as provided by the District certifying that the use(s) of said equipment is for project activities. Use(s) of said equipment for activities not related to the performance of services of this agreement must be reported in quarterly reports required by this agreement. Notwithstanding anything to the contrary contained in this agreement, the equipment shall not be removed from the State of Missouri.”

**Effect** – The District may not be aware of equipment funded by the District that is not being used for its intended purpose.

**Cause** – The District was not aware that documentation of annual statements was required.

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

**District Response** – The District stated “Physical inspections are done and they believed the criterion was satisfied; however, they will create a document that will satisfy the annual reporting requirement.”

6. **Quarterly Reports Not Submitted Timely**

**Condition** - Review of project 200619 revealed the District quarterly status report for January-March 2007 was not submitted to MDNR until May 15, 2007. In addition, every project reviewed had at least one quarterly report in which a signed and dated copy was not maintained.

**Criteria** - 10 CSR 80-9.050(3)(B)1 states, "The District shall submit to the Department, at the end of each state fiscal year quarter, a report which contains the following for each project in progress:..."

Additionally, MDNR Guidance Document for Solid Waste Management District Grants states, "Quarterly status reports shall be submitted to the department's SWMP for activities that occur during each calendar year quarter thirty days following the reporting period."

**Effect** – Required status reports were not received by MDNR on a timely basis.

**Cause** – The subgrantee did not submit their quarterly reports timely and the District was not aware that a copy of signed and dated quarterly reports must be maintained.

**Recommendation** – We recommend that the District implement procedures to ensure that the thirty day deadline for submitting quarterly reports to MDNR is achieved. Additionally, the District should maintain a signed and dated copy of the quarterly report.

**District Response** – The District stated "We will work to ensure subgrantees report timely and will not disburse funds until this requirement is met and ensure that quarterly status reports are submitted to MDNR timely. In addition, we will keep a signed and dated copy of the report within the grant file."

7. **Final Reports Not Timely Filed**

**Condition** – Review of the following projects revealed that final reports were not submitted to MDNR by the District timely.

- Project 2005125 FAA expired 11/1/06; a final report has not been filed.
- Project 2005126 FAA expired 11/1/06; a final report has not been filed.
- Project 2005130 FAA expired 5/2/06; a final report dated 11/1/06.
- Project 200605 FAA expired 2/23/07; a final report has not been filed.

**Criteria** – 10 CSR 80-9.050(3)(C) states, "The District shall submit to the department a final report for each project, within thirty days of the project completion date as stated in the financial assistance agreement,..."

**Effect** – Required status reports were not received by MDNR on a timely basis.

**Cause** – Subgrantees are sometimes untimely in submission of their final report to the District, consequently causing the District's final report to MDNR to not be timely submitted.

**Recommendation** – We recommend that the District submit reports to MDNR within the time limits allowed by law. The reports should note any subgrantee which has not complied with the reporting requirements.

**District Response** – The District stated “We will strive to improve on compliance with this procedure.”

8. **Subgrantees Not Reporting Timely**

**Condition** – In review of the following projects, it was noted the subgrantee did not submit reports to the District timely.

- Project 2005125, final report not submitted.
- Project 2005126, final report not submitted.
- Project 2005130, final report submitted several months after project end.
- Project 200605, final report not submitted.
- Project 200619, Jan-Mar 07 quarterly report not filed within 30 days.
- Project 200620, July-Sep 06 quarterly report not filed within 30 days.

**Criteria** – The subgrantee FAA states “The recipient agrees to administer these funds in accordance with: B. DNR Solid Waste Management Program Guidelines.”

Additionally, MDNR Guidance Document for Solid Waste Management District Grants states, “Quarterly status reports shall be submitted to the department’s SWMP for activities that occur during each calendar year quarter thirty days following the reporting period.”

**Effect** – The District is not able to properly evaluate the progress of projects funded with grant funds.

**Cause** – Subgrantees did not report to the District as required.

**Recommendation** – We recommend the District take measures to ensure that subgrantees submit quarterly progress and final reports timely.

**District Response** – The District stated, “We have many issues in dealing with subgrantee reporting and no funds are distributed without adequate reporting. Performance in this area is steadily improving and we will keep making efforts to continue this improvement.”

9. **15 % Withheld - Retainage**

**Condition** – Grants 2005125 and 2005126 had less than 15% withheld until their final reports and final accounting were submitted and approved by the board.

**Criteria** – 10 CSR 80-9.050(4)(C) states, “The executive board shall retain fifteen percent (15%) of the funds from the recipient until the board gives approval to the recipient’s final report and the final accounting of project expenditures.”

**Effect** – Subgrantee was reimbursed 100% of their expenditures prior to submitting a final report, in violation of state regulations.

**Cause** – The cause was an administrative oversight by the District.

**Recommendation** – We recommend that the District implement procedures to ensure that the District retains fifteen percent (15%) of subgrant 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, “No 2006 grant fell into this category, we will strive to improve in this area.”

#### 10. **Monitoring of Matching Funds and In-Kind Contributions**

**Condition** – Grants 2005125, 2005126, 200619 and 200620 noted matching funds by the subgrantee in the FAA; however, the District did not review actual matching contributions.

**Criteria** – MDNR General Terms and Conditions I.D. state “Any in-kind match must be assigned a fair market value stated in dollars and the rationale used to calculate the value must be provided...” In addition it states “Full expenditure of subgrantee match or cost share funding is required over the life of the subgrant...” “Failure to provide 100% of the match or cost share ratio of total expenditures as identified in the subgrant may cause the subgrantee to become ineligible to receive additional financial assistance from the MDNR...”

**Effect** – The District does not know if the subgrantees contributed matching funds as pledged per the FAA.

**Cause** – The District did not believe it was necessary to monitor contributions made by the subgrantee as match funds are not required.

**Recommendation** – We recommend that the District monitor match contributions made by subgrantees to ensure they meet the amounts pledged on the project budget.

**District Response** – The District stated, “We do not require matching funds, it is not required by law and we do not use the amount of matching funds as determination of who receives funds. We will create a form to certify matching commitment and the board will look into removing subgrantee matching contributions from the FAA budgets in the future.”

#### 11. **Inappropriate Grant Reimbursements**

**Condition** – In a review of subgrantee time records for Grant 2005126, the subgrantee’s records showed labor costs charged to district grant funds for administrative work on a Federal grant, another Region M SWMD grant, and other general administrative tasks of the subgrantee. The subgrantee’s time records lacked sufficient detail to allow for the exact amount of funds inappropriately charged to the district grant to be determined, but at a minimum, \$219.36 is questioned. The procedure used for review of subgrantee supporting documentation by the district did not detect this overcharging of labor costs to

the district grant. Additionally, Grant 2005125 noted \$85.00 in matching funds contributed by the subgrantee that were subsequently reimbursed by the District.

**Questioned Costs** – The exact amount of questioned costs was indeterminable due to the lack of specificity in the supporting documentation. At a minimum, costs totaling \$304.36 are questioned.

**Criteria** – MDNR General Terms and Conditions I.A. and I.E.5. state “The subgrantee will be reimbursed by the MDNR for all allowable expenses incurred in performing the scope of services...” It additionally states “Applicable OMB cost principles, federal agency program regulations, and the subgrant scope of work will be followed in determining the reasonableness, allowability, and allocability of cost.”

**Effect** – District grant payments were made for unallowable costs incurred by the subgrantee.

**Cause** – The District’s procedure for reviewing subgrantee supporting documentation did not identify the weakness in the subgrantee’s time reporting records. The records maintained by the subgrantee did not detail the actual hours worked on various grant projects or subgrantee administrative tasks, but rather reflected total hours worked for the day with a listing of all tasks completed during the entire period.

**Recommendation** – We recommend that the District more closely review costs submitted by subgrantees before funds are disbursed. In addition, we recommend the District seek repayment of \$85.00 and \$219.36 from the subgrantees.

**District Response** – The District stated, “We will seek repayment from the subgrantees.”

## **12. Process for Reconciling District Accounting Records and Bank Statements**

### **Inadequate**

**Condition** – The District does not have a formal review process for bank reconciliations. This resulted in a \$1,500 variance being carried on the monthly bank reconciliation sheets for nearly 2 years. Additionally, there is an immaterial variance in the Fund Balance and Assets of \$799.84. (See Schedules IV and V.) This variance is comprised of journal entry errors of \$288.00 in 2003, \$557.25 in 2004, a variance of (\$45.37) discovered in 2005, and a (\$.04) variance in 2006 due to rounding. As a result of being unable to identify these funds, the amount of the variance of \$799.84 is questioned.

**Questioned Costs** – The amount of the variance of \$799.84 is questioned.

**Criteria** – 10 CSR 80-9.050(4)(B) states “An executive board receiving funds from the Solid Waste Management Fund for district grants shall themselves maintain, and require recipients of financial assistance to maintain, an accounting system according to (generally accepted accounting principles) that accurately reflects all fiscal transactions, incorporates appropriate controls and safeguards, and provides clear references to the project as agreed to in the Financial Assistance Agreement.” Further, the MDNR General Terms and Conditions I.E.2 requires “Accounting Records. Maintain records

which adequately identify the source and application of funds provided for financially assisted activities. These records must contain information pertaining to subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.” MDNR General Terms and Conditions I.E.3 states “Internal Control. Effective control and accountability must be maintained for all subgrantee cash, real and personal property, and other assets.”

**Effect** – The District does not have effective controls over cash.

**Cause** – An error was made while entering a transaction. Because there is no formal review process this was overlooked. Transactions were entered into the accounting records resulting in the variance of \$799.84. These transactions were not adequately documented at the time of entry and the district was unable to provide an explanation for the entries or the source of revenue involved.

**Recommendation** – We recommend that the District review bank reconciliations on a monthly basis and investigate and correct any discrepancies in a timely manner. The District should work with the MDNR to resolve the variance of \$799.84 in the accounting records.

**District Response** – The District stated, “We will strive to improve and review the reconciliation process at monthly board meetings.”

### 13. **Listing of Fixed Assets**

**Condition** – The District does not maintain a complete and current list of fixed assets funded by the State. Additionally, a physical inventory of all State funded assets is not taken at least once every 2 years.

**Criteria** – MDNR General Terms and Conditions, I.H.2.a states “Property records must be maintained that include a description of the equipment, a serial number or other identification number, the sources of the property, the acquisition date, percentage of federal or state participation in the cost of the property, the location, use and condition of the property.” Section I.H.2.b states “A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years. A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property.”

**Effect** – The District is unaware of the physical condition and location of all the assets funded with grant monies.

**Cause** – This was an oversight by the District.

**Recommendation** – We recommend that the District create a complete list of assets with an acquisition cost of \$5,000 and greater, purchased in whole or in part with district funds, and in which the District still maintains a security interest. A physical inventory of this list should be performed at least once every 2 years.

**District Response** – The District stated, “We will develop a schedule to implement this procedure and improve in the future.”

14. **Management Structure**

**Condition** – The following conditions exist concerning the operation of the District’s management structure, as it appears the District has not adopted an alternative management structure.

- Council members serve 1 year terms.
- Council meets annually.
- The Executive Board does not consist of 7 members.
- The Executive Board has not appointed one or more geographically balanced advisory committees.

**Criteria** – RSMo 260.315 requires council members to serve 2 year terms, the council must meet twice annually, and the executive board shall consist of 7 members. In addition, RSMo 260.320.3 (7) requires that the executive board appoints one or more geographically balanced advisory committees.

**Effect** – The District is not in compliance with state statutes concerning their management structure.

**Cause** – The District believed they were operating under an “Alternative Management Structure”. However, the District could not provide the documentation that an alternative management structure had been adopted.

**Recommendation** - We recommend that the District comply with Missouri statutes concerning their management structure. If the District decides to operate under an alternative management structure, the District should locate past documentation or take steps to create an alternative management structure. Documentation of the District’s management structure should be submitted to MDNR.

**District Response** – The District stated “An alternative management structure was created and implemented in 1991, we will inquire with the State if documentation of this exists. If not, we will move to officially adopt an alternative management structure. The Board is looking into creating an advisory committee.”

15. **Sunshine Law Compliance**

**Condition** – The following was noted in reviewing six months of Executive Board and Council minutes:

- a. Minutes did not include whether the meeting was open or closed (6 of 6).
- b. Meeting was conducted by conference call and location was not noted on the notice (1 of 1).
- c. Minutes did not include the location of the meeting (6 of 6).
- d. Minutes did not include a list of absent members (6 of 6).

**Criteria** – RSMo Chapter 610 (commonly referred to as the Missouri Sunshine Law), requires the above mentioned items be documented in the minutes for each Executive Board or Council meeting. In addition, the location of all meetings must be noted on public notices.

**Effect** – The minutes are the official report made of the transactions or proceedings of the Executive Board and Council minutes and are a permanent record; thus, they should be complete and accurate. In addition, the public is not aware of the location to attend meetings held via conference call.

**Cause** – The District was unaware of the criteria requirements.

**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.

16. **Printed Materials**

**Condition** – The audit noted one publication was developed and distributed by the District that did not include credit to MDNR for funding or present the MDNR logo.

**Criteria** – MDNR Special Terms and Conditions state, “Grantees and subgrantees receiving grant funding from the Solid Waste Management Fund shall identify the Missouri Department of Natural Resources as a funding source on all publications and other printed materials which are intended for distribution. Identification shall include the Department’s logo with the full Department name.”

**Effect** – Printed materials were distributed by the District which failed to credit MDNR for funding or identify the Department and its logo.

**Cause** – This was an administrative oversight by the District.

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

**District Response** – The District responded, “We will require that subgrantees submit drafts of publications so that the District can review before printing. Additionally, we will ensure that MDNR has been given credit.”

17. **District Financial Audit Not Timely Submitted**

**Condition** – The required 2005 financial audit for the District was not timely submitted to MDNR within 120 days from the end of the District’s fiscal year. The audit report was received by MDNR in June 2006. In addition, the financial audits for fiscal years 2005 and 2006 do not include a statement of subgrant expenditures that provides expenditures by subgrant and clear references to the projects as required by the Special Terms and Conditions.

**Criteria** – RSMo Section 260.325.10 and the MDNR Special Terms and Conditions state, “The District board shall arrange for independent financial audits of the records and accounts of its operations by a certified public accountant or a firm of certified public accountants. Districts receiving two hundred thousand dollars or more of financial assistance shall have annual independent financial audits...” MDNR Special Terms and Conditions also state, “The District will provide DNR a copy of the entire audit report issued by a certified public accountant or a firm of certified public accountants within 120 days of the close of the District’s fiscal year.” Additionally, MDNR Special Terms and Conditions state, “The audited financial statements shall at a minimum provide for all fund types and account groups the following statements... 3. Statement of Subgrant Expenditures that provides expenditures by subgrant and provides clear references to the projects as agreed to in the Financial Assistance Agreement.”

**Effect** – The District did not timely submit the required audit report to MDNR for 2005 and was not in compliance with the above requirements.

**Cause** – The District receives a discounted rate from the firm of certified public accountants to perform the financial audit after tax season. Consequently, the District is unable to provide the financial audit to MDNR prior to the required deadline.

**Recommendation** – We recommend that the District implement a plan to ensure that the required annual financial audit report is complete and submitted to MDNR prior to the deadline as stated in the state laws and regulations.

**District Response** – The District stated, “We will add a condition to the contract with the local CPA firms that will require the Statement of Subgrant Expenditures that will include the required information. We do not think the 120 day requirement is reasonable as it would cost exponentially more to require the local CPA to put priority of this report over tax season.”

18. **Proposal Review and Evaluation**

**Condition** – The following criteria were not included in the project proposal and evaluation process of the Board.

2005

- Degree to which funding to the project will adversely affect existing private entities in the market segment.
- Degree to which the project promotes waste reduction or recycling through the proposed process.
- The need for the information.
- Effectiveness of marketing strategy.
- Selected financial ratios.

2006

- Conformance with the integrated waste management hierarchy.
- Conformance with the District Targeted Materials List.

**Criteria** – 10 CSR 80-9.050(2)(C)3 states, “the board must review, rank and approve proposals for each grant on the required criteria.” The evaluation method should include the above criteria.

**Effect** – The Executive Board does not properly review and evaluate proposals submitted to the District.

**Cause** – The District was unaware that their current evaluation system did not contain all of the required criteria.

**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 the proposal evaluation.”

19. **Surety Bonding**

**Condition** – The District Executive Board Members who are authorized check signers on the District bank accounts and have access to funds on deposit are not bonded. In addition, other Executive Board Members are not bonded for the proper performance of their fiduciary duties as a person in a position of public trust.

**Criteria** – MDNR General Terms and Conditions 1.E.3. states, “Effective control and accountability must be maintained for all subgrantee cash, real property, and other assets. Subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.”

**Effect** – The District is at risk of inadequate insurance coverage in the case of loss or theft.

**Cause** – The District believed that it was not necessary to have Executive Board Members bonded.

**Recommendation** – We recommend that the District adequately bond Executive Board Members.

**District Response** – The District stated, “We will either place a rider on HSTCC to include board members or create a separate policy. We will also investigate if board members are bonded through their respective communities as they are all elected officials.”

SCHEDULE II

REGION M  
SOLID WASTE MANAGEMENT DISTRICT  
WEBB CITY, MISSOURI

Schedule of Prior Audit Findings  
For the Fiscal Years Ending June 30, 1992, 1993, 1994 and 1995

An audit firm contracted by MDNR performed the prior audit. Of the eight (8) findings, the District implemented four (4) findings and four (4) findings were not implemented or partially implemented.

1. **FINDING – Failure to Provide Surety Bonding**

**Condition** – The District did not provide surety bonding for the Executive Director and Recycling Coordinator.

**Current Status** – The District provided documentation that bonding for both the Executive Director and the Recycling Coordinator has been acquired; however, the District could not provide documentation that Executive Board members have surety bond coverage. See Finding No. 19.

2. **FINDING – Inadequate Match Documentation**

**Condition** – During fiscal years 1994 and 1995, the District could not support the one-third match for the District's \$20,000 administrative grant each year as required by the MDNR General Terms and Conditions II.D .

**Current Status** – Documentation for this item was provided. There is no longer a District administrative grant and a matching requirement. Consider this issue resolved.

3. **FINDING – Reports Not Filed Timely**

**Condition** – Quarterly status reports to MDNR on the progress of District grants were not submitted on a timely basis. Additionally, final reports as required by 10 CSR 80-9.050(3) were not located on any District grants.

**Current Status** – In review of current grant reporting, it was noted the above conditions still exist. See Findings Nos. 6 and 7.

4. **FINDING – Interest Income**

**Condition** – It was noted that interest income earned on the District checking account was not always properly reported.

**Current Status** – The District reports all interest income. Consider this issue resolved.

5. **FINDING – Property Inventory**

**Condition** – The District did not maintain an inventory of property purchased by subgrantees as required by the MDNR General Terms and Conditions II.J.2.a.

**Current Status** - The District has begun doing annual site visits; however, they have not developed a system to document this and stated “All of the sites and equipment may not have been visited.” See Finding No. 13.

6. **FINDING – Lack of Source Documentation Administrative Grants**

**Condition** – Administrative grants of \$45,000 were awarded to the District for fiscal years 1992 and 1993. The District had one employee, which operated the SWMD and wrote the solid waste management plan. The solid waste management plan was written over a two year period. The auditor could not locate any invoices, which would support the expenditure associated with the administrative grants.

**Current Status** – The District provided the required documentation of cost. In review of current administrative grant expenditures, it was noted that all necessary documentation was provided. Consider this issue resolved.

7. **FINDING – Lack of Source Documentation Project Grants**

**Condition** – The Project Teach Trash Grant of \$15,335 was awarded to the District for the fiscal year 1993. The auditor could not locate any invoices, quarterly reports, payroll records, matching funds, matching in-kind, grant agreement, timesheets, final report, or documentation of procurement and contracts.

**Current Status** – The District provided the required documentation. In review of current grant expenditures, it was noted that documentation of subgrantee match funds and In-kind contributions was not maintained. See Finding No. 10.

8. **FINDING – Accounting System Deficiencies**

**Condition** – The District’s present accounting system commingles all grant funding, expenditures and grant related program income into one account.

**Current Status** – The current accounting system tracks each grant individually, consider this issue resolved.

**REGION M  
SOLID WASTE MANAGEMENT DISTRICT  
WEBB CITY, MISSOURI**

Schedule of Prior SAO Audit Findings  
For the Fiscal Years Ending June 30, 2005, 2004 and 2003

1. **FINDING – Current FAA’s**

**Condition** – Region M did not have a current FAA for some subgrantees with open grant awards.

**Current Status** – The audit noted instances in which a current FAA was not present for subgrantees with open grant awards. It was noted that there is some overlap between the SAO audit and the current audit period and these may have been the same projects reviewed. See Finding No. 1.

2. **FINDING – 15% Retainage**

**Condition** – Region M did not retain 15% for 3 of 7 grants (or 42%).

**Current Status** – The audit noted instances in which the 15% retainage of funds was not properly withheld. It was noted that there is some overlap between the SAO audit and the current audit period and these may have been the same projects reviewed. See Finding No. 9.

3. **FINDING – Reimbursement to Subgrantee Vendors**

**Condition** – Region M made payments totaling \$8,909 directly to vendors for various subgrantee purchases.

**Current Status** – The audit noted no instances of the District making any payments to a vendor for a subgrantee or any advanced payments to subgrantees. Consider this issue resolved.

4. **FINDING – Reimbursement to Subgrantee**

**Condition** – Region M included payments to subgrantees prior to receiving quarterly reports from the subgrantees.

**Current Status** – No instances were noted in which the District reimbursed a subgrantee prior to receiving a quarterly report from the subgrantee. Consider this issue resolved.

5. **FINDING – Asset Inventory**

**Condition** – Region M did not perform a physical inventory of capital assets at least once every two years.

**Current Status** – The District stated that an annual inspection is performed; however, there is not a system in place to document this. See Finding No. 13.

6. **FINDING – Proof of Insurance**

**Condition** – Region M did not require proof of insurance coverage on assets purchased by subgrantees.

**Current Status** – The District still does not require proof of insurance on assets purchased by subgrantees. See Finding No. 3.

7. **FINDING – Proposal Evaluation**

**Condition** – Region M granted funds to some cities and counties without adequately evaluating the proposals received from these entities.

**Current Status** – The District does not evaluate proposals using all of the required criteria. See Finding No. 18.

Region M Solid Waste Management District  
 Status of Subgrantee Awards  
 June 30, 2006

SCHEDULE IV

Subgrant No.	Purpose	Awards		Unspent Funds
		Obligated	Unobligated	
2003094	MidWest Fiber	\$ -	\$ 1,800.00	\$ 1,800.00
2003105	Vernon Co./ City of Nevada	3,211.25	--	--
2004015	Jasper Co. Litter Control	15,000.00	--	--
2004016	Vernon Co.	7,175.67	--	--
2004018	City of Carl Junction	1,500.00	--	--
2004019	City of Granby	1,228.70	--	--
2004020	Newton Co. Litter Control	3,394.58	--	--
2004021	City of Oronogo	5,000.00	--	--
2004022	Region M / Region N Education	4,853.88	--	--
2004023	Region M Election Coll.	4,550.00	--	418.00
2004024	Region M HHW Coll.	15,750.00	--	323.62
2004025	Ozark Recycling	553.11	--	--
2004026	Service Recycling	3,750.00	--	--
2004027	City of Joplin HHW	3,120.00	--	--
2004028	Associated Recyclers	27,180.77	--	--
2004029	Region M TV/Radio	3,804.00	--	--
2005116	George Washington Carver Education Promo.	5,000.00	--	--
2005117	Carthage R-9 recycling bins, education	5,000.00	--	5,000.00
2005118	City of Neosho, asphalt pad and concrete bin	8,000.00	--	8,000.00

Region M Solid Waste Management District  
 Status of Subgrantee Awards  
 June 30, 2006

SCHEDULE IV

<u>Subgrant No.</u>	<u>Purpose</u>	<u>Awards</u>		<u>Unspent Funds</u>
		<u>Obligated</u>	<u>Unobligated</u>	
2005119	City of Carterville 2 day cleanup	3,500.00	--	1,301.02
2005120	Fibertech Technology forklift purchase	14,220.00	--	--
2005121	City of Joplin 2 day HHW collection.	10,000.00	--	5,779.08
2005122	City of Seneca Recycling Trailer	13,937.00	--	13,937.00
2005123	Newton Co. litter control program	15,000.00	--	7,369.46
2005124	Associated Recyclers horizontal baler purchase	40,000.00	--	--
2005125	Associated Recyclers facility operation	59,219.00	--	23,379.77
2005126	Associated Recyclers education	15,000.00	--	5,564.59
2005127	Swift Construction Co. glass bin purchase	20,952.00	--	3,142.80
2005128	Sustainable Ideas Inc printing for education	2,000.00	--	2,000.00
2005129	Ozark Recycling trailer and baskets for recycling	20,000.00	--	3,277.76
2005130	City of Nevada office, recyclables storage const.	20,000.00	--	3,000.00
2005131	City of Nevada tire, HHW, electronics collector	15,000.00	--	3,955.50
2005132	Service Recycling purchase recycling containers	20,000.00	--	3,000.00
2005133	Region N planner partial salary	10,000.00	--	--
2005134	McDonald Co litter program	15,000.00	--	2,250.00
2005135	McDonald Co tire collection	7,000.00	--	5,253.50
2005136	City of Granby loader purchase	15,000.00	--	--

Region M Solid Waste Management District  
 Status of Subgrantee Awards  
 June 30, 2006

SCHEDULE IV

<u>Subgrant No.</u>	<u>Purpose</u>	<u>Awards</u>		<u>Unspent Funds</u>
		<u>Obligated</u>	<u>Unobligated</u>	
2005137	City of Carthage loader purchase	40,000.00	--	6,000.00
2005138	Golden City city wide clean up	2,000.00	--	--
2005139	City of Joplin e-waste collection	1,500.00	--	1,500.00
2005140	Jasper Co litter control	15,000.00	--	15,000.00
2005141	Region M operation	130,000.00	--	0.04
200601	Region M education program	11,000.00	--	1,575.00
200602	Region M HHW collection processing cost	10,500.00	--	10,500.00
200603	Region M community tire collection	11,250.00	--	8,650.40
200604	Joplin Waste Paper purchase of recycling contain	21,250.00	--	3,187.50
200605	Associated Recyclers operation	58,000.00	--	58,000.00
200606	Fiberlite Technologies Tractor trailer purchase	10,000.00	--	10,000.00
200607	Ozark Recyclers equipment purchase	40,500.00	--	21,735.86
200608	Service Recyclers purchase recycling containers	46,750.00	--	46,750.00
200609	Golman Auto Supply waste oil furnace	3,500.00	--	3,500.00
200610	Gary Collins purchase waste oil furnace	3,500.00	--	3,500.00
200611	George Washington Carver salaries and equip.	29,020.00	--	29,020.00
200612	City of Nevada truck, trailer, baler purchase	69,681.00	--	25,716.31
200613	City of Carthage leaf composting equipment	47,457.00	--	47,457.00

Region M Solid Waste Management District  
 Status of Subgrantee Awards  
 June 30, 2006

SCHEDULE IV

<u>Subgrant No.</u>	<u>Purpose</u>	<u>Awards</u>		<u>Unspent Funds</u>
		<u>Obligated</u>	<u>Unobligated</u>	
200614	City of Granby trailer and other recycling needs	25,690.25	--	25,690.25
200615	City of Neosho engineering fees and sign maker	22,960.00	--	22,960.00
200616	McDonald Co tire collection	7,000.00	--	7,000.00
200617	Vernon Co recycling center operation	15,000.00	--	15,000.00
200618	Jasper Co litter program	15,000.00	--	15,000.00
200619	Newton Co litter program	15,000.00	--	15,000.00
200620	McDonald Co litter program	15,000.00	--	15,000.00
200621	Region M SWMD operation	130,000.00	--	119,166.67
	Unobligated Interest	<u>0.00</u>	<u>3,962.66</u>	<u>3,962.66</u>
	District Fund Balance per the Project Quarterly Financial Summary Report			<u><u>\$629,623.79</u></u>

Region M Solid Waste Management District  
Cash Balance  
June 30, 2006

SCHEDULE V

Cash	\$598,943.22
Due From HSTCC	9,880.69
Due From MDNR	<u>20,000.00</u>
Total Account Balances	<u><u>\$628,823.91</u></u>

The "Due From HSTCC" stems from administrative expenses that should have been paid for with funds from the Administrative Grant but were paid out of project grant funds by mistake.

The "Due From MDNR" was \$20,000 that should have been included in the 2005 administrative grant and was not. Auditors caught this and MDNR has since paid these funds in November 2006.

There is an immaterial variance in the Fund Balance and Assets of \$799.84. This is comprised of journal entry errors of \$288.00 in 2003, \$557.25 in 2004, a variance of (\$45.37) discovered in 2005, and a (\$.04) variance in 2006 due to rounding.

Region M Solid Waste Management District  
 Schedule of State Funding  
 Years Ended June 30, 2006 and June 30, 2005

SCHEDULE VI

<u>Received</u>	<u>Total Amount</u>	<u>Fiscal Year</u>	<u>Type</u>
<u>Year Ended June 30, 2005</u>			
June 23, 2005	\$516,391.00	2005	District Grant
<hr/>			
Total From MDNR in FY 2005	<u><u>\$516,391.00</u></u>		
 <u>Year Ended June 30, 2006</u>			
October 13, 2005	\$22,159.10	2006	District Grant
March 15, 2006	515,308.25	2006	District Grant
April 7, 2006	<u>60,000.00</u>	2006	District Grant
Total From MDNR in FY 2006	<u><u>\$597,467.35</u></u>		

