

# Missouri Department of Natural Resources

## **Region M Solid Waste Management District Schedule of Findings and Questioned Costs for Two Fiscal Years July 1, 2004 – June 30, 2006**

### **1. Expired Financial Assistance Agreement (Repeat Finding)**

#### *Auditor 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.”

#### *SWMP Response:*

We concur with the auditor’s recommendation.

#### *SWMP Recommendation:*

The District has indicated this recommendation has been implemented. Please document the following actions were taken to resolve Finding #1:

- a. The Executive Board reviewed and amended as needed the policy and procedures of the District to require financial assistance agreements with subgrantees be monitored to ensure the agreements are current; and
- b. Modifications made to the District’s policies were in writing and approved by the Executive Board and documented within the District’s signed meeting minutes. Please provide a copy of the signed Executive Board meeting minutes and copies of the amended policies and procedures to the SWMP for our audit resolution file.

### **2. 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:*

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

# Missouri Department of Natural Resources

## **Region M Solid Waste Management District Schedule of Findings and Questioned Costs for Two Fiscal Years July 1, 2004 – June 30, 2006**

### *SWMP Response:*

We concur with the auditor's recommendation.

### *SWMP Recommendation:*

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

- a. The District should review and amend their current written policy and related procedures for filing of UCC Financing Statements to include completion of the District checklist noted in the District response; and determine the need for additional modifications to ensure accurate and timely filing of security instruments with the Secretary of State, Department of Revenue, or other agency dependent on the type of asset purchased;
- 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; and
- c. Upon development and implementation of the District checklist, please submit a copy of a completed checklist to the SWMP with the next District Quarterly Project Status Reports to document compliance.

### **3. Proof of Insurance (Repeat Finding)**

#### *Auditor 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."

#### *SWMP Response:*

We concur with the auditor's recommendation. As noted in the District's response, the District should request the subgrantee submit with the invoice requesting reimbursement for equipment, buildings, and site improvements proof of insurance on such equipment, buildings, or site improvements.

# Missouri Department of Natural Resources

## **Region M Solid Waste Management District Schedule of Findings and Questioned Costs for Two Fiscal Years July 1, 2004 – June 30, 2006**

### *SWMP Recommendations:*

The District has indicated this recommendation has been implemented. Please document the following actions were taken to resolve Finding #3:

- a. The Executive Board reviewed and made needed amendments to the District's policy and related procedure to ensure all subgrantees are required to submit proof of insurance on equipment, buildings, or site improvements purchased with district grant funds;
- b. Modifications or the addition of District policies were in writing and approved by the Executive Board and documented within the District's signed meeting minutes, please provide a copy to the SWMP; and
- c. During FY08, the District will submit copies of the proof of insurance provided by subgrantees to the SWMP along with the District's Quarterly Project Status Reports to document compliance.

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

##### *SWMP Response:*

We concur with the auditor's recommendation.

##### *SWMP Recommendations:*

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

- a. The District should review their current written policy and related procedures for filing of UCC Financing Statements, as noted in Finding #2 above, require subgrantees to 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

# Missouri Department of Natural Resources

## **Region M Solid Waste Management District Schedule of Findings and Questioned Costs for Two Fiscal Years July 1, 2004 – June 30, 2006**

for modifications to ensure compliance with the SWMP'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 Subgrantees**

#### *Auditor 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."

#### *SWMP Response:*

We concur with the auditor's recommendation.

#### *SWMP Recommendation:*

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

- a. The District should establish a written policy and related procedure to obtain an annual use statement from subgrantees for equipment, building, or site improvements purchased, in whole or in part, with Solid Waste Management Fund monies;
- b. During FY08, the District should provide to SWMP a copy of the FY2008 use statements provided by subgrantees 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.

# Missouri Department of Natural Resources

## Region M Solid Waste Management District Schedule of Findings and Questioned Costs for Two Fiscal Years July 1, 2004 – June 30, 2006

### 6. **Quarterly Reports Not Submitted Timely (Repeat Finding)**

#### *Auditor 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.”

#### *SWMP Response:*

We concur with the auditor’s recommendation.

#### *SWMP Recommendation:*

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 the steps detailed in the District’s response. Further, the Executive Board should include specific procedures for subgrantees requiring them to timely file project documents to allow the District to meet its reporting deadlines with MDNR; 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. **Final Reports Not Timely Filed (Repeat Finding)**

#### *Auditor 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.

# Missouri Department of Natural Resources

## **Region M Solid Waste Management District Schedule of Findings and Questioned Costs for Two Fiscal Years July 1, 2004 – June 30, 2006**

### *District Response:*

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

### *SWMP Response:*

We concur with the auditor’s recommendation.

### *SWMP Recommendation:*

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

- a. The Executive Board should review the District’s policy and related procedures for timely filing of final reports with the SWMP. Also, the Executive Board should include specific procedures for notifying and holding subgrantees accountable when they fail to timely provide final project reports preventing the District from meeting its compliance reporting deadlines with the SWMP; 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. Subgrantees Not Reporting Timely**

### *Auditor Recommendations:*

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.”

### *SWMP Response:*

We concur with the auditor’s recommendation. The amended 10 CSR 80-9.050 effective October 30, 2007, includes a provision for penalties for failure of the District to timely file reports. We recommend the District provide appropriate notice to their subgrantees of the penalty faced by the District for failing to report timely and consider passing these requirements down to their subgrantees.

# Missouri Department of Natural Resources

## Region M Solid Waste Management District Schedule of Findings and Questioned Costs for Two Fiscal Years July 1, 2004 – June 30, 2006

### *SWMP Recommendation:*

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 include steps to improve subgrantee performance in this area. Further, the Executive Board should include specific procedures for subgrantees requiring them to timely file project documents to allow the District to meet its reporting deadlines with MDNR; 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.

### **9. 15% Withheld – Retainage (Repeat Finding)**

#### *Auditor 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."

#### *SWMP Response:*

We concur with the auditor's recommendation.

#### *SWMP Recommendation:*

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

- 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

# Missouri Department of Natural Resources

## **Region M Solid Waste Management District Schedule of Findings and Questioned Costs for Two Fiscal Years July 1, 2004 – June 30, 2006**

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.)

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

#### *Auditor 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.”

#### *SWMP Response:*

We concur with the auditor’s recommendation. At this time, state regulations do not require match for use of solid waste management district grant funds. Any requirement for a match is determined by the solid waste management district. If it is the policy of the District to require matching funds, it is the District’s responsibility to adequately monitor and take appropriate action when subgrantees fail to meet the required match. Such monitoring and corrective action should be included in the District’s written policies and procedures and should be clearly communicated to subgrantees during the application and grant award process.

#### *SWMP Recommendation:*

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

- a. The District should review and ensure the current written policy and procedures related to District required match result in match being adequately monitored and action is taken when the subgrantee fails to meet the match requirement. If the District does not use the match to assist in evaluating grant applications or for program expansion, the District may want to consider removing the requirement for match and its reporting.

# Missouri Department of Natural Resources

## Region M Solid Waste Management District Schedule of Findings and Questioned Costs for Two Fiscal Years July 1, 2004 – June 30, 2006

- b. Any modifications to the District's policies and procedures 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. **Inappropriate Grant Reimbursements (Questioned Costs: \$304.36)**

#### *Auditor 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."

#### *SWMP Response:*

We concur with the auditor's recommendation. We understand from the auditor's finding this problem occurred as a result of an inadequate procedure used by the District for review of supporting documentation submitted by the subgrantees. The auditor stated "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."

The District should review and amend their policies and procedures to ensure that where a subgrantee's employees work on multiple activities or cost objectives, the distribution of their salaries or wages is supported by personnel activity reports or equivalent documentation. These personnel activity reports or equivalent documentation should meet the following standards: (a) they must reflect an after the fact distribution of the actual activity of each employee, (b) they must account for the total activity for which each employee is compensated, (c) they must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee. Please note that budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to district grant awards but may be used for interim accounting purposes, provided that: (i) the system for establishing the estimates produces reasonable approximations of the activity actually performed; and (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to district grant awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between

# Missouri Department of Natural Resources

## **Region M Solid Waste Management District Schedule of Findings and Questioned Costs for Two Fiscal Years July 1, 2004 – June 30, 2006**

budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

### *SWMP Recommendation:*

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

- a. The District should review its current written policy and related procedures to ensure the review of subgrantee supporting documentation is adequate to prevent a recurrence of this finding;
- b. At a minimum, the policy and related procedures should be modified to include the information set forth above related to documentation to support salaries and wages and ensure that district staff adequately review submissions from subgrantees;
- c. The District should take steps to review other supporting documentation provided by these two subgrantees to ensure that other reimbursements were adequately supported and upon completion of this review, the District should provide a copy of the results and any action taken to the SWMP; and
- d. Modifications to the District's policies and procedures 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.

### **12. Process for Reconciling District Accounting Records and Bank Statements Inadequate (Questioned Costs: \$799.84)**

#### *Auditor 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."

#### *SWMP Response:*

The SWMP agrees with this recommendation. We have been working with the District to determine allowability of these costs. However, information received to date from the District concerning these adjustments has not provided sufficient detail to allow the

# Missouri Department of Natural Resources

## **Region M Solid Waste Management District Schedule of Findings and Questioned Costs for Two Fiscal Years July 1, 2004 – June 30, 2006**

SWMP to make this determination. We will continue working with the District during the resolution process on this issue.

### *SWMP Recommendation:*

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

- a. The 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 periodically monitor the monthly bank reconciliation process;
- c. The Executive Board should monitor and make modifications to the district's accounting system to ensure compliance with the SWMP's General Terms and Conditions 1.E.3 which states, "Effective control and accountability must be maintained for all subgrantee cash, real and personal property and other assets." 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;
- 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; and
- e. The District will need to continue working with the SWMP to provide sufficient documentation to support the allowability of these questioned costs.

### **13. Listing of Fixed Assets (Repeat Finding)**

#### *Auditor 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."

# Missouri Department of Natural Resources

## **Region M Solid Waste Management District Schedule of Findings and Questioned Costs for Two Fiscal Years July 1, 2004 – June 30, 2006**

### *SWMP Response:*

The SWMP agrees with the auditor's recommendation. All required items must be maintained in the property records and a physical inventory of property must be taken and the results reconciled with the property records at least once every two years in accordance with the general terms and conditions.

### *SWMP Recommendation:*

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

- a. The District should establish a written policy and related procedure to account for and report capital assets including equipment in accordance with the general terms and conditions, I.M.2, Equipment Management.
- b. By July 30, 2008, the District should provide to SWMP a copy of a reconciled 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 Executive Board and documented within the District's signed meeting minutes with a copy provided to the SWMP.

## **14. Management Structure**

### *Auditor 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."

# Missouri Department of Natural Resources

## **Region M Solid Waste Management District Schedule of Findings and Questioned Costs for Two Fiscal Years July 1, 2004 – June 30, 2006**

### *SWMP Response:*

We concur with the auditor's recommendation. The District requested we review our files to determine if copies were available from our files. We did not locate copies of the official documents creating Region M. The District should take the steps necessary to reaffirm their alternative management structure and provide copies to the SWMP.

### *SWMP Recommendation:*

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

- a. The District should take the steps necessary to reaffirm their alternative management structure; and
- b. Copies of the signed Executive Board minutes reaffirming the alternative management structure and associated supporting documents from the cities and counties should be provided to the SWMP.

## **15. 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.

### *SWMP Response:*

We concur with the auditor's recommendation.

### *SWMP Recommendation:*

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

- a. The Executive Board will review and make needed amendments to the District's policy and related procedure to ensure all Executive Board meeting minutes include the following:
  - i. whether the meeting was opened or closed to the public;

# Missouri Department of Natural Resources

## **Region M Solid Waste Management District Schedule of Findings and Questioned Costs for Two Fiscal Years July 1, 2004 – June 30, 2006**

- ii. meetings conducted by conference call are so documented and the location is noted on the meeting notice and in the minutes and a location for participation be made available to the public;
  - iii. the location of the meeting; and
  - iv. the Executive Board members absent from the meeting.
- 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.

### **16. Printed Materials**

#### *Auditor 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."

#### *SWMP Response:*

We concur with the auditor's recommendation.

#### *SWMP Recommendation:*

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

- a. The Executive Board should review and modify the District's policy to require staff and the District's subgrantees 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.

# Missouri Department of Natural Resources

## Region M Solid Waste Management District Schedule of Findings and Questioned Costs for Two Fiscal Years July 1, 2004 – June 30, 2006

### 17. District Financial Audit Not Timely Submitted

#### *Auditor 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.”

#### *SWMP Response:*

We concur with the auditor’s recommendation. Solid waste management districts are required to meet the audit requirement at 260.325, RSMo, and the Special Terms and Conditions which require an annual financial statement audit of Districts receiving \$200,000 or over per year and a biannual audit of Districts receiving less than \$200,000 per year.

#### *SWMP Recommendation:*

We understand District staff has already taken action to ensure future compliance with this requirement. Please provide documentation of the actions taken to resolve Finding #17:

- a. The Executive Board should take this opportunity to review and amend the current written policy and related procedures for timely completion and filing of the annual financial statement audit report with the SWMP or ensure that a request for a waiver is submitted in sufficient time to allow the SWMP to respond prior to the District being out of compliance;
- b. Modifications to any 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. The District will need to submit a copy of the audit report to SWMP by the required date.

# Missouri Department of Natural Resources

## **Region M Solid Waste Management District Schedule of Findings and Questioned Costs for Two Fiscal Years July 1, 2004 – June 30, 2006**

(Note: The amended 10 CSR 80-9.050 effective on 10/30/07 states “Districts shall arrange to have the audit conducted and submit to the department a complete audit report prepared by the certified public accountant or firm of certified public accountants within one hundred eighty (180) days of the end of the period covered by the audit.” The District will want to ensure the District’s modified procedure incorporates the language from the amended rule which allows 180 days for the submission of the financial statement audit, 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.)

### **18. Proposal Review and Evaluation (Repeat Finding)**

#### *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 the proposal evaluation.”

#### *SWMP Response:*

We concur with the auditor’s recommendation.

#### *SWMP Recommendation:*

The SWMP recommends the District take the following actions to resolve Finding #18:

- a. The District should review their current written policy and related procedures for use in evaluating projects and consider adopting a standardized evaluation form using all required criteria;
- b. The District should provide to SWMP a copy of their modified procedure and evaluation form, if applicable, 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.

# Missouri Department of Natural Resources

## Region M Solid Waste Management District Schedule of Findings and Questioned Costs for Two Fiscal Years July 1, 2004 – June 30, 2006

### 19. Surety Bonding (Repeat Finding)

#### *Auditor 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.”

#### *SWMP Response:*

The SWMP agrees with the auditor’s recommendation. Failure of the Executive Board to ensure adequate coverage by either obtaining surety bonds, fidelity insurance, or errors and omissions insurance increases to an unacceptable level the risk for loss of public monies entrusted to the District.

(Note: Surety bonds are used in situations to secure the proper performance of fiduciary duties by persons in positions of private or public trust. Fidelity insurance protects organizations from loss of money, securities, or inventory resulting from crime. Common fidelity claims frequently allege employee dishonesty, embezzlement, forgery, fraud, or other criminal acts. Errors and omissions insurance covers damages resulting from negligence or mistakes that occurred in the course of doing business.)

#### *SWMP Recommendation:*

The SWMP recommends the District take the following actions to resolve Finding #19:

- a. The Executive Board should review and amend the District’s policy and related procedure to ensure adequate fidelity coverage is maintained at all times for District staff and Executive Board members to ensure protection of these public funds; and
- b. Modifications or the addition of District policies are required to 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.
- c. A copy of the District’s fidelity coverage should be provided to the SWMP as soon as possible.