

Final Audit Finding Resolution
Region I – East Central Solid Waste Management District
July 1, 2004 – June 30, 2006

1. Membership Fee for Counties and Cities Not Collected

Auditor Recommendation:

We recommend that the District review its by-laws to determine whether the membership fees are still needed. If the Executive Board determines that the fees are needed, then the monies should be collected accordingly and policies and procedures for the collection and non-payment of fees should be adopted. If the Executive Board determines that the fees are not needed, then the by-laws should be amended.

District Response:

The District concurs. The District will address this issue in the Standard Operating Procedures and open an account strictly for these funds, keeping them separated from grant funds.

October 17, 2007 Additional District Response:

The District has failed to assess dues to members of the District for the years 2005 and 2006. The District approved at the October 2, 2007 meeting to issue membership invoices immediately for the year 2007. The Executive Board also approved a resolution to be submitted to the full council (per the by-laws) to waive the membership fees for 2005 and 2006. The District is in the process of scheduling this meeting, most likely to be held the first week of December. Documentation of the formal action taken on this item will be provided to DNR following the meeting of the full council.

SWMP Response:

We concur with the auditor's recommendations. From the District's response, we understand the Executive Board has already taken action to review and amend the policies and procedures used for collecting membership fees; has issued invoices for collection of 2007 dues; and has adopted a resolution to waive the membership fees for 2005 and 2006. We also understand from the District response that the District has incorporated these procedural and policy modifications into the District's Standard Operating Procedures.

SWMP Recommendation:

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

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- a. The Council may want to review and amend the District's by-laws related to membership fees. We understand from the District's response that fees will be collected. We recommend the Council include an annual review of the fees collection process and set a specific date in the by-laws or a policy for issuance of member invoices;
- b. The District should review and amend the District's policies and procedures related to the collection and adopt a process to be used for non-payment of fees by members;
- c. The District should provide to SWMP a copy of the resolution waiving membership fees for 2005 and 2006 and meeting minutes where the resolution was adopted by the Council;
- d. Modifications made to the Council's by-laws and the Executive Board's policies and procedures should be in writing and approved by the Council or Executive Board and documented within the District's signed meeting minutes with a copy provided to the SWMP; and
- e. For the FY07 fee collection cycle, we request the District provide SWMP a copy of an invoice and a listing of the members billed.

District Resolution Actions:

The District has amended their by-laws to collect a membership fee, to be determined annually. See attached By-Laws, Article III, paragraph A.

The District approved at their annual membership meeting held on December 6, 2007, to amend the by-laws as referenced above, to assess the standard membership fee for 2007, and to waive the membership dues for 2005 and 2006. A copy of the meeting minutes is attached. Need copy from Steve wrong minutes attached to response letter.

A copy of the 2007 membership invoices and current payment status of the invoices are attached.

The financial statements presented to the Board will include the status of unpaid invoices. See Operating Procedures Manual-Section 7.

SWMP Response:

The District has provided to SWMP copies of the District's Organizational By-Laws, Article III-Finances, incorporating the requirements for the annual membership fees to be assessed each January 31st and stating that the membership fee total will be determined annually by the full Council for counties (i.e., unincorporated population) and cities (i.e., incorporated population greater than 500); an unsigned copy of the board meeting minutes from the December 6, 2007 minutes (received via e-mail on 7/2/08); the 2007 membership invoices; and current payment status of the membership invoices. These actions have addressed SWMP Recommendations a., c., d., and e., above.

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The SWMP noted the Executive Board By-laws, Article VIII-Financing, Section-7, include the following: “Any special or budgetary appropriation adopted by the Region shall be a membership requirement of each and every Member. The failure of a Member to pay over to the Region the allotted share, will be considered a withdrawal of that Member and a default of this agreement.” We noted Article II-General Terms as to the Districts, H), states “The term “member in good standing” as used throughout this agreement shall mean those individuals duly appointed by a county governing body of a count and the cities within these counties which has timely paid its yearly membership fee.” and Article VII-Executive Board Powers, K), states “The Executive Board shall: . . . 8) Have the authority to decline a request of the governing body, private entity and/or municipality of that county, grant funds if the county governing body does not possess a “member in good standing” status;” We understand the by-laws now allow for the District to take action to address failure to pay membership fees. The SWMP recommends the District further strengthen this process by including direction for District staff in the Operating Procedures Manual as to the requirement for notice and follow-up to members in “default”. To fully resolve Finding 1, we recommend these additional amendments to the District’s policies and procedures be adopted by the board with copies of the meeting minutes approving these changes provided to the SWMP. This portion of Finding 1 (SWMP Recommendation b., above) would then be resolved.

2. Agendas Not Including All Required Information (Repeat Finding)

Auditor Recommendation:

We recommend that the District include in its public notice/agenda the location of the meeting, whether the meeting is open or closed to the public, and if applicable, the specific statutory authority for the board to hold a closed session.

District Response:

The District concurs. The District did not include this information prior to August 2006. Since that time, the above information is listed on the posted agenda.

SWMP Response:

We concur with the auditor’s recommendation.

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SWMP Recommendation:

With the change in planning staff at the District, we would appreciate receiving confirmation that the following has occurred related to Finding #2:

- a. The Executive Board has reviewed and made needed amendments to the District's policy and related procedures to ensure all Executive Board meeting notices/agendas include the following:
 - i. whether the meeting is opened or closed to the public;
 - ii. the location of the meeting; and
 - iii. the reason for holding a closed session by reference to the specific exception allowed pursuant to the provisions of Section 610.021, RSMo.
- b. Provide copies of the amended policies and procedures along with copies of the Executive Board's signed meeting minutes to the SWMP.

District Resolution Actions:

The District has instituted new procedures that are included in the Operating Procedures Manual-Revised March 25, 2008. Section 10 relates to meeting agendas, minutes, and record keeping. A copy of the minutes from the March 25, 2008 meeting is included to document board approval of the Operating Procedures Manual.

SWMP Response: (Finding Resolved)

The District has provided to SWMP copies of the Operating Procedures Manual incorporating the needed amendments to the district's procedures to ensure compliance with Missouri's Sunshine Law, Chapter 610, RSMo and the March 25, 2008 Executive Board meeting minutes adopting the modifications. With submission of this information, Finding 2 is resolved.

3. Executive Board Minutes Not Signed or Attested to by a Board Member

Auditor Recommendation:

We recommend that the District require the secretary and the Chairman of the Executive Board or another board member to sign and attest to the accuracy of the written content of the board minutes.

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District Response:

The District concurs. The secretary will sign all future meeting minutes.

SWMP Response:

The Solid Waste Management Program (SWMP) agrees with the auditor's recommendation and expands on this recommendation to include review of the monthly board financial reports. It is a good business practice for boards to ensure an adequate review of their meeting minutes as the permanent record of actions taken by the Executive Board. Additionally, the board should have available for their review accurate, timely, and complete financial reports as the District's primary funding source is public monies provided by the Solid Waste Management Fund (SWMF). Additionally, accurate records of the meetings are useful for internal purposes and for creating a record to justify proper closure of a meeting under Section 610.021, RSMo. Note: Failure of the board to comply with Chapter 610, RSMo, commonly referred to as the Missouri Sunshine Law can result in fines for the Executive Board or individual Executive Board members.

Without regular meeting minutes and financial report review by Executive Board members and signing of the minutes and reports by the reviewers, it is not possible to later establish if the minutes and reports accurately represented the Executive Board's decisions at that time.

SWMP Recommendation:

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

- a. The Executive Board has reviewed and made needed amendments to the District's policy and related procedure to ensure all Executive Board meeting minutes and board financial reports are timely reviewed, approved, and signed by the District Chairperson, Secretary or other Executive Board member, as assigned; and
- b. Modifications or the addition of District policies are in writing and approved by the Executive Board and documented within the District's signed meeting minutes with a copy provided to the SWMP.

District Resolution Actions:

The District has instituted new procedures that are included in the Operating Procedures Manual-Revised March 25, 2008. Section 10 relates to the approval of meeting minutes,

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and record keeping. A copy of the minutes from the March 25, 2008 meeting is included to document board approval of the Operating Procedures Manual.

SWMP Response: (Finding Resolved)

The District has provided to SWMP copies of the Operating Procedures Manual incorporating the needed amendments to the district's procedures to ensure Executive Board meeting minutes are signed by board members and the March 25, 2008 Executive Board meeting minutes adopting the modifications. With submission of this information, Finding 3 is resolved.

4. Executive Board Minutes Regarding Information Presented

Auditor Recommendation:

We recommend that the District record in the minutes the location of the meeting, the names of the board members present and those absent, and the motion and vote to adjourn the meeting along with the time of adjournment.

District Response:

The District concurs. The District did not include this information prior to August 2006. Both members present and absent are stated in the meeting minutes.

SWMP Response:

We concur with the auditor's recommendation.

SWMP Recommendation:

The SWMP understands the District has taken the following actions and will provide documentation to resolve Finding #4:

- a. The Executive Board has reviewed and made needed amendments to the District's policy and related procedure to ensure all Executive Board meeting minutes include the following:
 - i. the location of the meeting;
 - ii. the time of the meeting;
 - iii. the names of the Executive Board members present and those absent; and
 - iv. the motion and vote to adjourn the meeting along with the time of adjournment.

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- b. Modifications or additions made to the District's policies and procedures are in writing and have been approved by the Executive Board; are documented within the District's signed meeting minutes; and copies will be provided to the SWMP.

District Resolution Actions:

The District has instituted new procedures that are included in the Operating Procedures Manual-Revised March 25, 2008. Section 10 relates to the content of meeting minutes, and record keeping. A copy of the minutes from the March 25, 2008 meeting is included to document board approval of the Operating Procedures Manual.

SWMP Response: (Finding Resolved)

The District has provided to SWMP copies of the Operating Procedures Manual incorporating the needed amendments to the district's procedures to ensure compliance with Missouri's Sunshine Law, Chapter 610, RSMo and the March 25, 2008 Executive Board meeting minutes adopting the modifications. With submission of this information, Finding 4 is resolved.

5. Lack of Policy on Release of Information to the Public

Auditor Recommendation:

We recommend that the District adopt a written policy on the release of information on any meeting, record, or vote to the public in accordance with the Sunshine Law.

District Response:

The District concurs. The District has no written policy; this will be added to the District Standard Operating Procedures.

SWMP Response:

We concur with the auditor's recommendation. The Missouri Sunshine Law (Chapter 610, Governmental Bodies and Records) requires governmental bodies to establish a policy for release of information to the public.

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SWMP Recommendation:

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

- a. The Executive Board will review the District's policy and related procedure to ensure compliance with the Sunshine Law. Specifically, the Executive Board will establish a policy for release of information to the public; and
- b. Modifications or the addition of District policies will be in writing and approved by the Executive Board and documented within the District's signed meeting minutes with copies provided to the SWMP.

District Resolution Actions:

The District has instituted new procedures that are included in the Operating Procedures Manual-Revised March 25, 2008. Section 11 relates to the release of information to the public. A copy of the minutes from the March 25, 2008 meeting is included to document board approval of the Operating Procedures Manual.

SWMP Response: (Finding Resolved)

The District has provided to SWMP copies of the Operating Procedures Manual incorporating the needed amendments to the district's procedures to ensure compliance with Missouri's Sunshine Law, Chapter 610, RSMo and the March 25, 2008 Executive Board meeting minutes adopting the modifications. With submission of this information, Finding 5 is resolved.

6. No Meeting Held by the Full Council of the District

Auditor Recommendation:

We recommend that the District hold two full council meetings per year as required in its by-laws. We also recommend that the District inform all Council members that they must be active and participate to aid in establishing a legitimate quorum at the meetings.

District Response:

The District concurs. The District is working to obtain a quorum at meetings. The District cannot conduct business if a quorum is not present.

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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 Council should review and amend, as needed, the District's by-laws related to number of Council meetings per year and Council meeting attendance including setting forth specific requirements for failure to attend; and
- b. Modifications or the addition to the District's by-laws must be in writing and approved by the Council and documented within the District's signed meeting minutes. A copy of the amended by-laws and related minutes should be provided to the SWMP.

District Resolution Actions:

The District is presently evaluating the number of meetings that they will require annually, and if changes are needed from the present language the By-Laws will be amended to reflect the change. The District held an annual meeting on December 6, 2007 and had a quorum present. A second meeting is anticipated in June 2008.

SWMP Response:

This finding will remain open until the District has completed its evaluation and determined the number of meetings that will be required annually. This information along with a copy of the amended by-laws, if applicable, and meeting minutes approving any such modifications will need to be submitted in writing to the SWMP no later than December 31, 2008 to allow for final resolution of Finding 6.

7. Checks Not Requiring Dual Signatures and Lack of Segregation of Duties

Auditor Recommendation:

We recommend that the District require dual signatures on all checks issued. We also recommend that adequate segregation of duties be in place in that the District Planner should not sign the checks.

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District Response:

The District concurs. Dual signatures on all checks were addressed in the Standard Operating Procedures presented to the board at the October 11, 2006 meeting.

SWMP Response:

We concur with the auditor's recommendation.

SWMP Recommendation:

The SWMP understands the District has taken the following actions and will provide documentation:

- a. The Executive Board has amended the policy and related procedures to require dual signatures on all checks and to ensure adequate segregation of duties including removal of the District Planner as a check signatory; and
- b. 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 copies provided to the SWMP.

Additionally, the SWMP recommends the following to fully resolve Finding #7:

- a. The Executive Board should request District staff present at each board meeting a report on planned versus actual administrative and/or operating expenditures with sufficient detail to allow members to understand the purpose of such expenditures;
- b. The Executive Board should ensure development and presentation of a report on expenditures in sufficient detail to allow board members to know that all District expenditures are necessary and appropriate and are being made in compliance with all laws, rules, and conditions governing the funds used; 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 copies provided to the SWMP.

District Resolution Actions:

The District has instituted new procedures that are included in the Operating Procedures Manual-Revised March 25, 2008. Section 7 relates to financial reporting and content. A copy of the minutes from the March 25, 2008 meeting is included to document board approval of the Operating Procedures Manual.

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SWMP Response:

The District has provided to SWMP copies of the Operating Procedures Manual Section 4, Cash Disbursements that incorporates the needed amendments to the district's procedures by requiring all checks have two signatures and Section 1, Financial Responsibilities, which sets forth the Executive Board's plan to separate duties between the Executive Board and District staff to assist in establishing sufficient internal control where the District staff is limited in number. Additionally, we noted the District Planner has been removed from signing District checks.

In regard to the reporting of financial activity by the District, we noted the inclusion of Section 7-Auditing/Financial Reporting which details the District's financial reporting activities throughout the year. We request the Executive Board amend the language in paragraph 2 of Section 7 to read as follows: "Additionally, District staff shall prepare a statement of financial activity to present at each board meeting." The modification to the wording requires District staff to prepare a statement of financial activity, at a minimum in conjunction with each board meeting to allow for independent board review of the financial activity which strengthens the financial reporting procedure.

8. Bank Reconciliations Not Documented and Reviewed by Board

Auditor Recommendation:

We recommend the District Board continue to document the monthly bank reconciliation as well as review and approve the monthly bank reconciliations.

District Response:

The District concurs. Prior to June 2006, bank statements were reconciled to the checkbook but not on the form provided by the bank. Since June 2006, all bank statements are reconciled on the form provided, initialed, and dated.

SWMP Response:

We concur with the auditor's recommendation.

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SWMP Recommendation:

The District has indicated this recommendation has been implemented. Please document the following actions to resolve Finding #8:

- a. The Executive Board has reviewed and amended the District's policy and related procedures to strengthen accounting system internal controls to ensure timely and accurate completion of the District's monthly bank account reconciliation including presentation to and approval by the Executive Board; and
- b. Modifications or the additions 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 a copy provided to the SWMP.

Additionally, the SWMP recommends the following to fully resolve Finding #8:

- a. Additionally, the Executive Board should periodically monitor the monthly bank reconciliation process. The Executive 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; and
- b. Modifications or the additions 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 a copy provided to the SWMP.

District Resolution Actions:

The District has instituted new procedures that are included in the Operating Procedures Manual-Revised March 25, 2008. Sections 1, 2, 4 and 7 relates to financial tracking, reporting, segregation of duties and account reconciliations. A copy of the minutes from the March 25, 2008 meeting is included to document board approval of the Operating Procedures Manual.

SWMP Response:

The Operating Procedures Manual, Section 1-Financial Responsibilities provides a chart detailing the responsibility for completing the bank reconciliation rests with the Executive Director of the administrative contractor and the District Planner, an employee of the administrative contractor. We recommend including in the Financial Responsibilities chart, a line setting forth the requirement for "Reviews and approves

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financial statements and bank reconciliation” as a board member(s) and Executive Director’s responsibility.

Section 7-Auditing/Financial Reporting states “Additionally, District staff should prepare a statement of financial activity to present at each board meeting. Statements should include a report of planned versus actual expenditures, a statement of receipts and disbursements, a statement of assets and liabilities, a check register of all transactions and a bank reconciliation report.” As noted in Finding 7 above, we are requesting the board amend the policy to require presentation of these statements at each board meeting. This modification can be accomplished by changing the word “should” to “shall”.

Additionally, we suggest including in the Financial Responsibilities chart, a line “Reviews and approves financial statements and bank reconciliations” as a board member(s) and Executive Director’s responsibility.

To fully resolve Finding 8, we recommend these additional amendments to the District’s policies and procedures be adopted by the board with copies of the meeting minutes approving these changes provided to the SWMP. Additionally, we request copies of the bank reconciliations for the period January 1, 2008 through July 31, 2008 be provided as supporting documentation for resolution of Finding 8.

9. Signed Written Contracts with Boonslick Regional Planning Commission not on File (Questioned Costs: \$21,509)

Auditor Recommendation:

The District retain a signed written contract with BRPC each year and recover the costs paid to BRPC.

District Response:

The District concurs with retaining signed contracts. No response was taken for recovering the questioned costs paid to BRPC.

October 17, 2007 Additional District Response:

The District has located copies of executed financial assistance agreements for the periods May 1, 2002 to May 31, 2003; April 1, 2003 to March 31, 2004; and August 1, 2005 to July 31, 2006. Copies of these documents are enclosed. There have been no administrative expenses paid since June 31, 2006. The only period not covered by a signed FAA or contract is the period April 1, 2004 to July 31, 2005. The District paid \$16,990.31 for administrative expenses during this period. The District has approved at

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their meeting on October 2, 2007 to utilize the District's local dues revenue to pay the administrative expenses during this gap period, so as not to have disallowable cost associated with any funding received from the Department of Natural Resources. The District by-laws do not require that local dues be used for the same purposes as the funding received from DNR, therefore, the board took this action to clearly document the use of these funds. A copy of the by-laws is enclosed for your records.

The District has entered into a general services agreement with Boonslick RPC to provide administrative services for the period July 1, 2007 to December 31, 2007. The District took formal action on this item at the June meeting, but approved the modified contract language and scope of work at the October 2, 2007 meeting. It is the District's intent to issue a Request for Qualifications for administrative services to provide services to the District beginning January 1, 2008. A copy of the general services agreement has been enclosed for your records.

SWMP Response:

We concur with the auditor's recommendation that the District establish a written contract for administrative services. For the District to be in compliance with the SWMP's regulations and General Terms and Conditions related to the use of Solid Waste Management Funds, the District is required to have in place written contracts for the provision of services.

We have received the copies of documentation related to the periods: May 1, 2002 to May 31, 2003; April 1, 2003 to March 31, 2004; and August 1, 2005 to July 31, 2006. The District has indicated that no fully executed contract exists for the period April 1, 2004 to July 31, 2005. We understand from the District's response that administrative expenses during this period were \$16,990.31 and that the District's by-laws do not prohibit the use of member fees to pay administrative costs. The SWMP will work with the District Executive Board and staff to obtain copies of documentation for these administrative expenses and to finally resolve these questioned costs.

SWMP Recommendation:

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

- a. The Executive Board should annually review the District's contractual policies and procedures. The Executive Board should give particular attention to the process used for procurement of services and resulting contracts to ensure compliance with the SWMP's regulations and General Terms and Conditions. Given the current finding, particular attention should be given to the full execution of and retention of copies of all contractual documents;

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- b. The District should provide copies of the documentation related to the \$16,990.31 in administrative expenses paid during the period April 1, 2004 to July 31, 2005; and
- c. Modifications or the additions 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 a copy provided to the SWMP.

District Resolution Actions:

The District procured administrative services in December 2007. A copy of the procurement and subsequent contract is attached. The annual contract covers the period beginning January 1st. The Executive Board, approved the contract at their January 2008 meeting and included in the motion to review the contract in November of each year. A copy of the meeting minutes is attached. Documentation of the administrative costs for the period April 2004 to July 2005 is provided in the form of detailed invoices generated by the accounting system of Boonslick Regional Planning Commission. The total costs incurred for this period is \$27,158.11, the District paid \$16,990.31. All supporting documentation for the invoices is maintained in the office.

SWMP Response:

The SWMP will continue working with Region I to fully resolve the questioned costs related to failure to maintain signed written contracts with Boonslick Regional Planning Commission, the entity providing administrative services during the period. We request Region I provide copies of the following supporting documentation to allow for determination of the exact amount of funds in question:

- Copies of cancelled checks from the SWMD to the RPC and district bank statements for the period April 1, 2004 through September 1, 2005.
- An invoice for the period July 1, 2005 through July 31, 2005 or confirmation that no invoice was generated by the Boonslick Regional Planning Commission to Region I for this period.

We agree the district's membership fees may be used to offset these questioned costs. However, until a determination of the exact amount of administrative costs is made, this finding will remain open.

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10. District’s Quarterly Project Financial Summary Forms Not Accurately Prepared (Questioned Costs: \$18,164.64)

Auditor Recommendation:

The District properly prepare its quarterly financial reports by sub-grant noting the receipts and disbursements from each grant funded by the MDNR and any carryover funds unobligated. The balances remaining in each sub-grant should be reconciled to the total cash balance held by the District. Any unidentified funds may need to be recovered and repaid to the MDNR.

District Response:

The District does not concur. The negative balance shows a receivable amount from MDNR. In order to report to MDNR, the projects must be listed. The report does reconcile to the check register and bank reconciliation.

SWMP Response:

We concur with the auditor’s recommendation. The District’s Quarterly Project Financial Summary forms are not accurately prepared. The SWMP provided training to the Districts at the beginning of the fiscal year on completion of this form.

The District did not receive district grant funds for 2004 and 2005 projects listed on the report. FY04 projects had a fully executed Financial Assistance Agreement, however, funds were being withheld by the SWMP due to the District’s failure to timely submit Quarterly Status Report Forms. Additionally, FY05 projects had not been agreed to by the District and the SWMP and the FY05 and FY06 fully executed Financial Assistance Agreements were not returned to the SWMP from the District. The 2003-065 project obligated amount of \$7,816.39 plus the unobligated interest income of \$3,221.14 leaves an unidentified balance of \$18,164.64. The District has indicated a portion of this funding is believed to be member fees. However, the District will need to work with the SWMP to identify the source of these funds in the District’s bank accounts.

SWMP Recommendation:

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

- a. The Executive Board must ensure the district’s accounting system is in compliance with 10 CSR 80-9.050(7)(B) which 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

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- 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. Accounting records must be supported by source documentation such as cancelled checks, paid bills, payrolls, time and attendance records, contract, and agreement award documents.”
- b. The Executive Board should review and amend the District’s policy and related procedure to ensure the District’s accounting system and internal controls are maintained at all times and are reviewed periodically for weaknesses in accordance with 10 CSR 80-9.050(7)(B) to ensure assets are adequately safeguarded; and
 - c. 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. Copies of these modifications and additions must be provided to the SWMP by April 30, 2008.

District Resolution Actions:

The District has instituted new procedures that are included in the Operating Procedures Manual-Revised March 25, 2008. The entire manual addresses these key operating procedures. Specifically, sections 7, and 17 relate to reporting requirements of the District and sub-recipients. A copy of the minutes from the March 25, 2008 meeting is included to document board approval of the Operating Procedures Manual.

SWMP Response:

With establishment of the new Operating Procedures Manual, the District has taken steps to address past problems with financial reporting and tracking of funds by source. However, as a result of the District’s Quarterly Project Financial Summaries being out of balance, the District will need to provide supporting documentation such as copies of cancelled checks, checkbook registers, copies of bank statements and/or reconciliations for the period June 1, 2004 through July 31, 2006 to assist in determining the source of the questioned costs totaling \$18,164.64. Finding 10 remains unresolved.

11. District Quarterly Financial Summary Reports Not Filed Timely

Auditor Recommendation:

We recommend that the District establish the necessary procedures to ensure that the quarterly financial summary reports are filed with the Department within 30 days at the end of the quarter as required.

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District Response:

The District concurs. Quarterly reporting was not in compliance. All delinquent reports were sent to MDNR on September 15, 2006. MDNR requested that the June 30, 2006 be revised and resent. This report was dated October 31, 2006 and stamped received by the SWMP on January 8, 2007.

SWMP Response:

We concur with the auditor's recommendation. The District continued to fail to comply with reporting requirements until October 2007. With new staff, reports are now being submitted timely.

SWMP Recommendation:

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

- a. The Executive Board should review and modify, as needed, the policy and related procedure to include specific procedures for District staff as well as sub-grantees to timely file project documents to ensure the District meets its reporting due dates 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.

District Resolution Actions:

The District has instituted new procedures that are included in the Operating Procedures Manual-Revised March 25, 2008. Section 16 relates to sub-grantee reporting. A copy of the minutes from the March 25, 2008 meeting is included to document board approval of the Operating Procedures Manual. Additionally, the District staff has developed a master list of reporting requirements for sub-grantee and the District and has a grant file checklist to ensure timely reporting. (Copy attached.)

SWMP Response: (Finding Resolved)

The District has provided to SWMP copies of the Operating Procedures Manual Sections 6 and 17 incorporating the needed amendments to the district's procedures for timely filing of quarterly reports by the District and subgrantees, other lists related to reporting, and the March 25, 2008 Executive Board meeting minutes adopting these modifications. With submission of this information, the SWMP considers Finding 11 to be resolved.

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12. Interest Income Not Properly Obligated on Quarterly Financial Summary Reports

Auditor Recommendation:

We recommend the District properly report total interest income earned and adjust the quarterly reports to show the interest earned and obligated as well as interest income not yet obligated.

District Response:

The District concurs. All interest through May 2007 will be used toward 2007 grants.

SWMP Response:

We concur with the auditor's recommendation.

SWMP Recommendation:

- The SWMP recommends the District take the following actions to resolve Finding #12:
- a. The Executive Board should modify the policy and related procedures to include steps ensuring -- dependent on the original source of funds producing the interest -- that interest income is only expended on MDNR approved grant projects within the District's solid waste management plan or approved District Operation expenditures. Additionally, the procedure should ensure MDNR approval is received prior to funds being disbursed to the sub-grantee or a vendor by the District; 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.

District Resolution Actions:

The District has instituted new procedures that are included in the Operating Procedures Manual-Revised March 25, 2008. Section 3 relates to the tracking of interest income. A copy of the minutes from the March 25, 2008 meeting is included to document board approval of the Operating Procedures Manual.

SWMP Response:

The District has provided to SWMP copies of the Operating Procedures Manual incorporating the needed amendments to the district's procedures for tracking interest income and the March 25, 2008 Executive Board meeting minutes adopting these

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modifications. To further strengthen this policy, we recommend the board amend it to address, as well as the tracking of interest income, the reporting of interest income including the origin of the funds generating the interest income. With submission of a copy of the amended policy including the reporting of interest income, we will be able to fully resolve Finding 12.

13. Annual Financial Statement Audit Not Obtained

Auditor Recommendation:

We recommend that the District obtain a two-year financial audit of its records and accounts as required by RSMo Section 260.325.10 and the Special Terms and Conditions.

District Response:

The District does not concur. The Boonslick Regional Planning Commission has an audit performed annually. This report is submitted to MDNR annually. The District funds pass through Boonslick Regional Planning Commission. The District will procure an auditor and have the funds of the district itself audited. This report will be submitted to MDNR within 180 days of the close of the fiscal year.

SWMP Response:

We concur with the auditor's recommendation. Solid waste management districts are required to meet the audit requirement at 260.325, RSMo which requires 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. The audit of the Boonslick Regional Planning Commission is an audit of the administrative contractor of the District rather than of the District. The financial statements presented do not allow for determination of use and maintenance of Solid Waste Management Funds in compliance with the law, regulations and Special Terms and Conditions agreed to by the District at the time they entered into the Financial Assistance Agreement with the Department.

On November 21, 2007, SWMP received a letter from the District stating the District has initiated the process of procuring an independent financial audit for the fiscal years beginning January 1, 2006 through December 31, 2007, with a contract for up to three multi-year audit periods.

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SWMP Recommendation:

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

- a. As stated above, the District shall take the steps necessary to procure an auditor and have the funds of the District audited. This report will be submitted to the SWMP within 180 days of the close of the fiscal year and will cover the period July 1, 2005 through June 30, 2007.
- b. The Executive Board should 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 request a waiver in sufficient time to allow the SWMP to respond prior to the District being out of compliance; and
- c. 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.

District Resolution Actions:

The District procured the services for an independent audit. An RFP was published in December 2007 to contract for a multi-year audit, beginning with the period January 1, 2006 (sic) to December 31, 2007. A copy of the RFP, Auditor engagement letter, and board minutes approving the contract are attached.

The District has instituted new procedures that are included in the Operating Procedures Manual-Revised March 25, 2008. Section 7 relates to auditing and financial reporting. A copy of the minutes from the March 25, 2008 meeting is included to document board approval of the Operating Procedures Manual.

SWMP Response:

The District has provided to SWMP copies of the Operating Procedures Manual incorporating the needed amendments to the district's procedures for obtaining financial audit services, a copy of the RFP, the audit engagement letter, and the March 25, 2008 Executive Board meeting minutes adopting the modifications. We recommend strengthening the District's policy by adding the specific requirements of the financial audit contained in the General Terms and Conditions and restated below:

The audited financial statements shall, at a minimum, provide for all fund types and account groups and include the following statements:

- i. Financial Statements with the following minimum account categories:

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- 1) Total Assets: cash, investments, receivables, fixed assets.
- 2) Total Liabilities: accounts payable, deferred grant revenue obligated for grants, deferred interest revenue obligated for grants.
- 3) Net Assets: fund balance.
- ii. Statement of Revenues, Expenditures, and Changes in Fund Balance with the following minimum account categories:
 - 1) Beginning Fund Balance.
 - 2) Revenues: grant revenue, interest revenue, other revenue sources.
 - 3) Expenditures: salaries, fringe benefits, travel, equipment, supplies, contractual, subgrant expenditures.
 - 4) Ending Fund Balance.
- iii. Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.
- iv. Statement of Subgrant Expenditures that provides expenditures by subgrant and provides clear references to the projects as agreed to in the Financial Assistance Agreement.

Finding 13 will be fully resolved upon timely submission of the Financial Audit Report for the period January 1, 2006 to December 31, 2007 postmarked to the SWMP by June 30, 2008 and receipt of the District's amended policy incorporating the requirements specific to the financial statement audit report.

14. Detailed Listing of Capital Assets and Identification Tags

Auditor Recommendation:

We recommend that the District maintain a detailed listing of all capital assets purchased with District grant funds and owned by the sub-grantees in accordance with the requirements of the General Terms and Conditions. The District should affix an identification tag on all capital assets.

District Response:

The District concurs. An inventory ledger has been created and inventory tags purchased. Tags were not yet fixed to property during this audit. The building addition at the City of Washington recycling center has been added to the inventory listing.

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SWMP Response:

We concur with the auditor's recommendation. The District has stated they have developed a list of equipment and plan to perform physical inventories, as required. The District should include serial numbers or other identification numbers for equipment funded with district grant funds. Including the serial or VIN identification number for equipment can enhance the asset listing and strengthen controls over the District and District's sub-grantee fixed assets. Also, the District should affix an identification tag or sticker on all capital assets.

SWMP Recommendation:

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

- a. The Executive Board should modify the written policy and related procedures to account for and report capital assets including serial numbers or other identification numbers;
- b. During FY08, the District should provide to SWMP a copy of the annual physical inventory including the fixed asset identification 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 Executive Board and documented within the District's signed meeting minutes with copies provided to the SWMP.

District Resolution Actions:

The District has instituted new procedures that are included in the Operating Procedures Manual-Revised March 25, 2008. Section 12 relates to asset management and inventory listing. A copy of the minutes from the March 25, 2008 meeting is included to document board approval of the Operating Procedures Manual.

A copy of the inventory listing is provided showing local inventory control tag number of entity responsible for asset.

SWMP Response:

In the following table, we have detailed the physical inventory record minimum requirements as set forth in 10 CSR 80-9.050(7)(K) compared to the district's policy (Section 12) and the inventory listing provided in your response document.

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10 CSR 80-9.050(7)(K)	Policy Section 12	Inventory Listing
		Grant Number
Description of the equipment	Description of the equipment	Item Description
		Inventory Tag No.
		UCC or Deed of Trust Date
A serial number or other identification number	A serial number or other identification number	Manufacturers' Serial No.
		Proof of Insurance
The source of the property		
The acquisition date		
Cost of the property		
Percentage of state funds used in the cost of the property		
Location	Location	Grant Recipient
Use	Use	Use Statement (Self Certification)
Condition of the property		
		Security Interest Expires

The policy as detailed in Section 12 and the inventory listing do not fully meet the rule requirements. Please review and take the necessary action to bring the district's policy and inventory listing into compliance with the rule. Any modifications to the policy should be in writing and a copy provided to the SWMP. Upon inclusion of the additional information in the inventory listing and policy, please provide amended copies of these documents to SWMP to allow for full resolution of Finding 14.

15. Annual Statements of Use of Equipment Not Filed by Sub-grantees

Auditor Recommendation:

We recommend that the District require an annual statement from each sub-grantee certifying that the use of the equipment bought with District grant funds is for project activities.

District Response:

The District concurs. The District is working on a site visit check list to ensure that all equipment purchased with grant funding will be visited on an annual basis and that these visits are documented.

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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 District will establish a written policy and related procedure to obtain an annual use statement from sub-grantees 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 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.

District Resolution Actions:

The District has instituted new procedures that are included in the Operating Procedures Manual-Revised March 25, 2008. Sections 12 and 17 relate to the use-statement filing requirements for sub-grantees. A copy of the minutes from the March 25, 2008 meeting is included to document board approval of the Operating Procedures Manual.

A copy of the current use statements collected for active grants is attached.

SWMP Response: (Finding Resolved)

The District has provided to SWMP copies of the Operating Procedures Manual incorporating the needed amendments to the district's procedures for obtaining use statements by subgrantees along with copies of current self-certification use statements for equipment purchased with district grant funds, and the March 25, 2008 Executive Board meeting minutes adopting these modifications. With submission of this information, Finding 15 is resolved.

16. UCC – 1 Security Interest Forms Not Filed by the District or Sub-grantees

Auditor Recommendation:

We recommend that the District ensure that the sub-grantees file the required UCC-1 forms for equipment purchases or the construction of buildings or site improvements for

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\$5,000 or more as required under the Special Terms and Conditions for the District Grants.

District Response:

The District concurs. The District is working with grantees to get all UCC-1 forms. This policy will be added to the Standard Operating Procedures.

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 District should review and amend their current written policy and related procedures for obtaining a security interest in equipment, building or site improvements purchased by the District or District sub-grantees to ensure accurate and timely filing of security interests; and
- b. Modifications or the addition of District policies and procedures should be in writing and approved by the Executive Board and documented within the District's signed meeting minutes.

District's Resolution Actions:

The District has instituted new procedures that are included in the Operating Procedures Manual-Revised March 25, 2008. Section 12 relates to asset management and security interest of the District. A copy of the minutes from the March 25, 2008 meeting is included to document board approval of the Operating Procedures Manual.

SWMP Response:

The District has provided to SWMP copies of the Operating Procedures Manual incorporating the needed amendments to the district's procedures for obtaining UCC and deeds of trust by subgrantees, and the March 25, 2008 Executive Board meeting minutes adopting these modifications. To further strengthen this policy, we recommend the board amend it to address the timing of the filing of the security interest. Also, the board should include within the policy provisions for other types of security instruments, such as liens and titles issued by the Missouri Department of Revenue. With submission of a copy of the amended policy including the timing of the filing and inclusion of other security instruments, we will be able to fully resolve Finding 16.

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17. Proof of Insurance on Capital Assets Not Obtained

Auditor Recommendation:

We recommend that the District obtain insurance coverage documentation from the sub-grantee for all equipment, buildings, and site improvements purchased or constructed with SWMF monies.

District Response:

The District concurs. Sub-grantees were required to report whether they had insurance on the equipment but were not required to show proof. Future grantees will be required to submit proof of insurance before any funding is reimbursed to them.

SWMP Response:

We concur with the auditor's recommendation. The District should request that sub-grantee submit with the invoice requesting reimbursement for equipment, buildings, and site improvements proof of insurance on such equipment, buildings, and site improvements.

SWMP Recommendation:

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

- a. The Executive Board shall review and make needed amendments to the District's policy and related procedure to ensure all sub-grantees 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 are in writing and approved by the Executive Board and documented within the District's signed meeting minutes with a copy provided to the SWMP; and
- c. During FY08, the District will submit copies of the proof of insurance provided by sub-grantees to the SWMP along with the District's Quarterly Project Status Reports to document compliance.

District's Resolution Actions:

The District has instituted new procedures that are included in the Operating Procedures Manual-Revised March 25, 2008. Sections 12 and 17 relate to the sub-grantees responsibility for providing proof of insurance. A copy of the minutes from the

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March 25, 2008 meeting is included to document board approval of the Operating Procedures Manual.

Proof of insurance for all current grants is provided as requested

SWMP Response: (Finding Resolved)

The District has provided to SWMP copies of the Operating Procedures Manual incorporating the needed amendments to the district's procedures for collecting a copy of the insurance coverage on equipment purchased with grant funds, copies of proof of insurance on current grants where equipment was purchased, and the March 25, 2008 Executive Board meeting minutes adopting these modifications. With submission of this information, Finding 17 is resolved.

18. Date Stamping Grant Proposals From Sub-grantees

Auditor Recommendation:

We recommend that the District include a specific time deadline for submission of a grant proposal on future public notifications requesting grant proposals. We also recommend that the District stamp the date and time on each grant proposal submitted by sub-grantees in the future.

District Response:

The District concurs. Future grant rounds will be stamped with the date and the time which they were received. This policy will be added to the Standard Operating Procedures.

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 Executive Board shall review and make needed amendments to the District's policy and related procedure to ensure all grant applications are date stamped upon receipt and a log is maintained of all applications received;

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- b. Modifications or the addition of District policies are in writing and approved by the Executive Board and documented within the District's signed meeting minutes with a copy provided to the SWMP; and
- c. A copy of the District's grant log for the next grant cycle should be submitted to the SWMP.

District's Resolution Actions:

The District has instituted new procedures that are included in the Operating Procedures Manual-Revised March 25, 2008. Section 10 relates to the approval of meeting minutes, and record keeping. A copy of the minutes from the March 25, 2008 meeting is included to document board approval of the Operating Procedures Manual.

A copy of the grant log for the most recent grant call cycle is attached as requested.

SWMP Response: (Finding Resolved)

The District has provided to SWMP copies of the Operating Procedures Manual incorporating the needed amendments to the district's procedures for meeting minutes and record keeping (Sections 10 and 11), grant application date stamping and logging (Section 13), and the March 25, 2008 Executive Board meeting minutes adopting these modifications. With submission of this information, Finding 18 is resolved.

19. Documentation of Bids Not Required From Sub-grantees

Auditor Recommendation:

We recommend that the District obtain documentation from the sub-grantees regarding the solicitation and the awarding of bids for items purchased with district grant monies.

District Response:

The District concurs. Sub-grantees were required to report on their procurement of equipment. The District has implemented a bid information sheet that is required for all procurement.

SWMP Response:

We concur with the auditor's recommendation.

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SWMP Recommendation:

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

- a. The Executive Board should modify the District's sub-grantee 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 agree that implementation of a District-wide procurement form for ease in recording bids and for record retention purposes is a good business practice. 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 then review completed procurement files for goods and services purchased by the sub-grantee from district grant funds 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.

District's Resolution Actions:

The District has instituted new procedures that are included in the Operating Procedures Manual-Revised March 25, 2008. Sections 9 and 17 relate to the procurement requirement and reporting of sub-grantees. A copy of the minutes from the March 25, 2008 meeting is included to document board approval of the Operating Procedures Manual.

SWMP Response:

The District has provided to SWMP copies of the Operating Procedures Manual incorporating the needed amendments to the district's procedures for ensuring procurements made by the District and subgrantees comply with state procurement requirements and the March 25, 2008 Executive Board meeting minutes adopting the modifications.

Further, we noted the district's policy currently provides for the subgrantee to maintain the bid documentation. The SWMP requires the District to obtain from the subgrantee a copy of their bid documentation to be maintained at the District office. We request the District's policy be amended to require submission of bid documentation as stated in SWMP Recommendation b., above. With submission of a copy of the amended policy

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including the submission of the subgrantee's bid documentation to the District, we will be able to fully resolve Finding 16.

20. District Not Documenting Site Visits

Auditor Recommendation:

We recommend that the District document its' monitoring or site visits in the grant project folders.

District Response:

The District concurs. The District is working on a site visit check list to ensure that all equipment purchased with grant funding will be visited on an annual basis and that these visits are documented.

SWMP Response:

We concur with the auditor's recommendations. The requirement for on-site visits to sub-grantees is not a new requirement and should have been in place prior to the audit period.

SWMP Recommendation:

The SWMP recommends the District take the following actions to resolve Finding #20:

- a. The District should establish a written policy and related procedures for annual on-site inspections of sub-grantee projects and ensure project status is accurately known and reported to the Executive Board and the SWMP;
- b. The District should include within the on-site monitoring documentation the annual use statement for sub-grantees having equipment, building or site improvements funded with district grant funds; and
- c. Modifications to District policies should be in writing and approved by the Executive Board and documented within.

District's Resolution Actions:

The District has instituted new procedures that are included in the Operating Procedures Manual-Revised March 25, 2008. Section 12 relates to the on site visits required to be completed by District staff for each sub-grantee project. A copy of the minutes from the

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March 25, 2008 meeting is included to document board approval of the Operating Procedures Manual.

SWMP Response: (Finding Resolved)

The District has provided to SWMP copies of the Operating Procedures Manual incorporating the needed amendments to the district's procedures to ensure, at a minimum, an annual monitoring visit and collection of annual use statements on equipment purchased with district grant funds, as well as copies of current use statements from each subgrantee with an active grant and the March 25, 2008 Executive Board meeting minutes adopting the modifications. With submission of this information, Finding 20 is resolved.

21. Assessment Inventory Not Filed

Auditor Recommendation:

We recommend that the District implement the necessary procedures to ensure the assessment inventory for fiscal year 2006 has been received by the Department and to file the future assessment inventory in a timely manner as required.

District Response:

The District concurs. The 2006 Assessment Inventory was forwarded to DNR April 4, 2007.

SWMP Response:

We concur with the auditor's recommendation.

The District failed to file the 2004 Assessment Inventory. After repeatedly notifying the District the inventory had not been filed, the SWMP forgave the 2004 Assessment Inventory with the agreement that the 2006 Assessment Inventory would be timely filed with the SWMP. The 2006 Assessment Inventory was not received until October 17, 2007, six months late. The 2006 Assessment Inventory was not received until after the District had changed planning staff. Since that time, other District reports (i.e., quarterly reports) have been filed timely.

Information from the Assessment Inventory is used to report to the General Assembly and provide information to the public regarding services available within Region I's area. Failure to provide this information in a timely manner limits the SWMP's and the

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District's ability to respond to requests for information from the legislature and the general public who need access to services within the Region I area.

SWMP Recommendation:

With the change in planning staff at the District, we would appreciate receiving confirmation that the following has occurred related to Finding #21:

- a. The Executive Board has reviewed and made needed amendments to the District's policy and related procedures to ensure the 2008 Assessment Inventory is adequately monitored to ensure it is accurately completed and timely filed with the SWMP;
- b. Provide copies of the amended policies and procedures along with copies of the Executive Board's signed meeting minutes to the SWMP; and
- c. The Executive Board shall ensure its 2008 Assessment Inventory is filed with the SWMP by the required due date.

District's Resolution Actions:

The District has instituted new procedures that are included in the Operating Procedures Manual-Revised March 25, 2008. Section 15 relates to updating and submittal requirements for the assessment inventory. A copy of the minutes from the March 25, 2008 meeting is included to document board approval of the Operating Procedures Manual.

SWMP Response:

The District has provided to SWMP copies of the Operating Procedures Manual incorporating the needed amendments to the district's procedures for timely submission of the assessment inventory and March 25, 2008 Executive Board meeting minutes adopting the modifications. This finding will be fully resolved upon timely submission of the 2008 Assessment Inventory due to the SWMP on April 1, 2009.