

Final Audit Finding Resolutions
Region T - Solid Waste Management District
July 1, 2005 – June 30, 2007

1. 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 stated, “None of the minutes for the last year of the audit (FY07) had any problems noted. All alleged problems were in the previous year.”

SWMP Response:

We concur with the auditor’s recommendation. The SWMP has received numerous calls from the general public and legislators concerning the District’s failure to comply with the Missouri Sunshine Law. The majority, if not all, of the board members of Region T are elected county officials or city government employees, and should be aware of the Missouri Sunshine Law (Chapter 610, Governmental Bodies and Records) and its requirements for open records.

Actions taken by the District to date have not corrected the areas of noncompliance. The auditor identified the following from the last year of the audit (FY07):

- Notice of meeting did not indicate whether the meeting was open or closed to the public (3 occurrences). These meetings were held on 2/15/07, 4/12/07, and 7/26/07.
- The time of the meeting was not included in the minutes. One meeting was held on 2/15/07.
- Place of the meeting was not indicated in the minutes. These meetings were held on 9/15/07 and 7/26/07.
- Votes cast as to yes or nay were not listed by member. These meetings were held on 2/15/07, 4/12/07, and 7/26/07.

It is in the best interest of Region T to be in compliance with the requirements of Chapter 610 and to timely respond to requests for public information. Failure to comply with the Sunshine Law may result in penalties. If the court finds, by a preponderance of evidence, that the public body or a member of the public body has knowingly violated the Sunshine Law, the court:

- Shall subject the member or body to a civil fine of up to \$1,000; and

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- May order the member or body to pay all costs and reasonable attorney fees to any party successfully establishing a violation.

If the court finds, by a preponderance of evidence, that the public body or member has purposely violated the Sunshine Law, the court shall:

- Subject the member or body to a civil fine of up to \$5,000; and
- Order the member or body to pay all court costs and reasonable attorney fees.

SWMP Recommendations:

While the District has indicated the recommendation has been implemented and the issues have been addressed, the auditor reported continued areas of noncompliance. Please document the following actions by the District to resolve Finding #1:

- a. The Executive Board should review and make amendments to the District's written policies and related procedures to ensure all Executive Board meeting minutes include the following:
 - i. notice of meeting given within required timeframe;
 - ii. notice of meeting includes whether the meeting is open or closed to the public;
 - iii. the time of the meeting is included in the minutes;
 - iv. the place the meeting was held is included in the minutes;
 - v. members absent from the meeting is included in the minutes;
 - vi. votes cast as to yes or nay listed by member; and
 - vii. as a good business practice, ensure the minutes are reviewed and approved by the Executive Board and appropriately signed and dated by a member of the Executive Board, upon approval;
- 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. Copies of the policies and procedures as well as the signed meeting minutes documenting Executive Board approval should be submitted to the SWMP; and
- c. Beginning July 1, 2008 and continuing through June 30, 2009, signed and approved copies of the Region T's board meeting minutes must be submitted along with the District's quarterly status reports to verify compliance with the Sunshine Law requirements.

District Response:

The District believes procedures have improved considerably during the July 1, 2007 to June 30, 2008 program year. From this time forward the Chairman of the Board will personally review the meeting notice for completeness before it is mailed or posted within the required timeframe and the Board will review each set of minutes to make

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certain the time and place of the meeting is included in any set of minutes and that members absent from the meeting and votes cast as to yea or nay are listed by member in those cases where the vote can not be listed as unanimous and that the minutes are approved by the Board at each meeting and signed and dated by a Board member. Any change in written procedures will be approved by the Board and the District will submit signed and approved copies of approved copies of our District's Board meeting minutes with each of the District's quarterly status reports through June 30, 2009. In addition, the public members of our Board have committed to posting notices of each Board meeting in their city halls and courthouses. This practice began at our July 3, 2008 meeting. Finally, public news announcements of meetings will be adopted as a regular practice by virtue of the Board's July 3 meeting discussion.

SWMP Response to District's Corrective Action Plan:

The Executive Board states "The District believes procedures have improved considerably during the July 1, 2007 to June 30, 2008 program year." However, the District failed to provide documentation to support this statement. As noted above, the District provided a similar response to Finding 1 in reference to the final year of the performance audit period (07/01/06 through 06/30/07). The contract auditor determined the following in regard to the District's compliance during the 07/01/06 through 06/30/07 period:

- Notice of meeting did not indicate whether the meeting was open or closed to the public (3 occurrences). These meetings were held on 2/15/07, 4/12/07, and 7/26/07.
- The time of the meeting was not included in the minutes. One meeting was held on 2/15/07.
- Place of the meeting was not indicated in the minutes. These meetings were held on 9/15/07 and 7/26/07.
- Votes cast as to yes or nay were not listed by member. These meetings were held on 2/15/07, 4/12/07, and 7/26/07.

Region T's response to the resolution plan did not provide written policies and related procedures to be used by the District Executive Board and staff to ensure compliance with Chapter 610, RSMo, as detailed in the SWMP Finding 1 Recommendation. The SWMP provided the District a sixty day period (i.e., June 5 through August 4) to provide the written policies and procedures to document the District's prompt actions to comply with Chapter 610, RSMo. The District's response to Finding 1 is inadequate.

The Solid Waste Management Law at 260.335.5., RSMo provides "If a grant recipient fails to maintain records or submit reports as required herein, refuses the department access to records, or fails to meet the department's performance standards, the department may withhold subsequent grant payments, if any, and may compel the

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repayment of funds provided to the recipient pursuant to the grant.” While other solid waste management districts in the state have had similar audit findings related to the Missouri Sunshine Law, their Executive Boards took or are taking prompt action to bring their respective district into compliance. Region T’s Executive Board has not timely addressed this compliance finding and the potential for litigation and imposition of penalties continues to increase.

Violation of a statutory requirement, such as Chapter 610, RSMO, is a significant audit finding and is indicative of unacceptable district performance. Therefore, in accordance with 10 CSR 80-9.050 (9), Withholding of District Funds, the SWMP will begin withholding district operations (i.e., administrative) funds effective 21 days from the date of the cover letter to this document and continuing until such time as the District adequately documents in writing to the satisfaction of the SWMP that their policies and procedures meet the statutory requirements of Chapter 610, RSMo.

Please note: The Executive Board needs to be mindful that the District’s only funding source is district grant funds or interest earned from district grant funds. The District Grant Rule at 10 CSR 80-9.050(2)(D)2 sets forth as ineligible for district grant funding, both legal costs, and fines and penalties. Therefore, the Executive Board would be responsible for paying legal fees related to litigation as a result of the district’s failure to comply with Chapter 610, RSMo and any imposed fines and penalties from a source other than district grant funds.

2. Frequency of Meetings

Auditor Recommendation:

We recommend that the Council and Executive Board be required to hold meetings as stipulated by state statute and District by-laws.

District Response:

The District stated, “Meetings were not held as frequently in 2006 because the District’s activities in monetary disbursements were frozen while relatively minor findings in a State Auditor’s report were resolved to the satisfaction of the Department of Natural Resources.”

SWMP Response:

We concur with the auditor’s recommendation related to the need to hold meetings as stipulated by state statute and the District’s by-laws. The District’s Council and specifically, the Executive Board is responsible for ensuring compliance with the Solid

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Waste Management Law, implementing regulations found at 10 CSR 80-9.050, Solid Waste Management Fund – District Grants.

The Executive Board is responsible for compliance with the department's reporting requirements, pursuant to 10 CSR80-9.050 and maintaining an accounting system according to generally accepted accounting principles that accurately reflects all fiscal transactions, incorporates appropriate controls and safeguards, and provides clear references to the project as agreed to in the Financial Assistance Agreement. The District's accounting records are required to be supported by source documentation such as cancelled checks, paid bills, payrolls, time and attendance records, contracts, and agreement award documents. Further, the Executive Board is responsible for ensuring 15% of funds from the grant award is retained until the Executive Board gives approval to the grantee's final report and the final accounting of project expenditures.

The SWMP disagrees with the District's characterization of the State Auditor's report findings as relatively minor. The use of public funds necessitates that accounting and internal controls are adequate to safeguard those assets entrusted to the SWMP and allocated to the Districts.

The State Auditor's report noted the following areas requiring District action:

- District T has funds encumbered for grants awarded as far back as 1996. This District has also approved new grants for educational and dump clean-up programs, while grant monies awarded in previous years for the same purposes have not yet been spent. Regulation 10 CSR 80-9.050(5) indicates that any District grant funds not spent within 24 months of the grant award date may be reallocated by the DNR.
- Regulation 10 CSR 80-9.050(4)(C) states, "The Executive Board shall retain fifteen percent (15 percent) of the funds from the recipient until the board gives approval to the recipient's final report and the final accounting of project expenditures." Three of the four Districts reviewed did not always comply with this regulation. Of the grants reviewed in 2 of 5 or 40 percent for District T did not comply.
- In District T, grant reimbursements were made for expenses that were not related to the purpose of grants. The District awarded \$18,000 each year for the three years ended June 30, 2005, for the purpose of locating and cleaning up illegal dumping sites. Over these three years, only \$4,641 was spent of the \$54,000 made available, and this entire amount of \$4,641 was paid to a District board member for mileage reimbursement and wages. The board member's time and mileage records indicate that only \$626 was paid to him for the purpose of illegal dump clean-up, and the remaining \$4,015 was paid to him for administrative activities, including time and mileage to drive to the District office and sign

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District checks. Program Special Terms and Conditions, Attachment 2, Section 10, states, "Any funds awarded to a District which are not expended (or encumbered) for the purpose for which the funds were awarded, will be repaid by the District to the Missouri Department of Natural Resources, Solid Waste Management Program for deposit into the Solid Waste Management Fund."

- Three of the four Districts we reviewed reimbursed subgrantees for grant expenses even though quarterly reports were not filed on a timely basis. Of the grants reviewed, 4 of 5 (80 percent) for District T included payments to subgrantees prior to or without receiving quarterly reports. The Program Guidance Document and Regulation 10 CSR 80-9.050(5)(B), requires the submission of quarterly reports within 30 days of the end of the quarter before additional funds can be distributed to subgrantees.
- Of the four Districts reviewed, Districts F and T did not maintain listings of capital assets purchased with grant monies. DNR's General Terms and Conditions Section J, applicable to solid waste District grants, states, "Property records must be maintained that include a description of the equipment, a serial number or other identification number, the sources of the property, percentage of federal participation in the cost of the property, the location, use and condition of the property." Capital asset listings are needed to ensure assets purchased with District grant monies are being used and maintained according to grant agreements.
- Physical inventories of capital assets were not performed by three of the four Districts reviewed, Districts F, M, and T. DNR General Terms and Conditions, Section J (2) states, "A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years. A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property." Physical inventories are necessary to ensure all capital assets are properly accounted for and to ensure the asset listings are accurate and complete.

The SWMP anticipated the Executive Board of Region T would have been meeting in compliance with statute and their by-laws, if not more frequently, to timely address those areas of noncompliance and internal control weakness identified in the State Auditor's Report 2006-10 that resulted in funds being withheld until action was taken by the District.

SWMP Recommendations:

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

- a. The Executive Board should review and make amendments, if needed, to the District's by-laws and written policies and related procedures to ensure Council and Executive Board meetings occur in compliance with state statute and the District's by-laws;

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- b. Any modifications made to the District's by-laws, policies and procedures should be in writing and approved by the Council or Executive Board and documented within the District's signed meeting minutes. Copies of the by-laws, policies and procedures as well as the signed meeting minutes documenting Council or Executive Board approval should be submitted to the SWMP; and
- c. As Council and Executive Board meetings are scheduled during the period July 1, 2008 and continuing through June 30, 2009, please provide a copy of the meeting notices to the SWMP.

District Response:

The Board adopted a new set of bylaws after the State Auditor's Report 2006-10 was issued and those bylaws, drawn up and approved by the Board, feature a required number and frequency of meetings as stated in state law. For the current year the Board has exceeded the number of required meetings but will adhere closely to the bylaws in the future, also. As Council and Executive Board meetings are held through June 30, 2009, the District will provide a copy of the meeting notices to SWMP.

SWMP Response to District's Corrective Action Plan:

According to the performance auditor, the Council met only once during FY06 and once during FY07. The Executive Board met only one time in FY06 and twice during FY07. We understand the District's modified policies and procedures now call for quarterly meetings of the Executive Board (previously 6 times per year) and Council meetings are now required 2 times per year (previously 4 times per year).

With a reduction in the number of meetings required of the Council and Executive Board, we want to bring back to your attention for action the requirement for a district advisory committee (260.320.3, RSMo). This statute sets forth the expectation that each District Executive Board shall appoint one or more geographically balanced advisory committees composed of the representatives of commercial generators, representatives of the solid waste management industry, and two citizens unaffiliated with a solid waste facility or operation to assess and make recommendations on solid waste management. The District needs to ensure establishment of this statutorily required advisory committee to prevent a compliance finding in the District's next audit. The District needs to provide a plan for establishing at least one District Executive Board advisory committee. The District will need to provide its plan for meeting this statutory requirement to the SWMP no later than October 31, 2008.

The District must provide copies to SWMP of written by-laws and policies and procedures related to Council and Executive Board meetings, as well as a copy of signed meeting minutes documenting Council or Executive Board approval of these adopted

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modifications following issuance of the State Auditor's Office Report 2006-010, as referenced in the District's response. This information should be provided to the SWMP no later than September 1, 2008. Further, this finding cannot be resolved until the District has demonstrated compliance by providing copies to SWMP of the meeting notices for Council and Executive Board meetings for the period July 1, 2008 and continuing through June 30, 2009.

Failure of the District to provide the reports required to address Finding 2 by the due dates above will result in withholding of District Funds pursuant to 10 CSR 80-9.050 (9). Specifically, the SWMP will withhold Region T's district operations (i.e., administrative) funds until such time as the district provides the required documentation to show the District's compliance with 260.315.4.(3), RSMo, and the District's adopted by-laws.

3. Bank Reconciliations – Repeat Finding

Auditor Recommendation:

We recommend that the District implement procedures to ensure that bank statements and the related reconciliations to accounting records receive an independent review.

District Response:

The District stated, "The independent review of bank statements was instituted before the audit team arrived or prepared this report."

SWMP Response:

We concur with the auditor's recommendation.

SWMP Recommendations:

The District has indicated the recommendation has been implemented and the issues have been addressed. Please document the following actions to resolve Finding #3:

- a. The Executive Board has reviewed and made amendments to the District's policy and related procedure to ensure bank statements and the related reconciliations to accounting records receive an independent review;
- b. Provide copies of bank reconciliations for the period July 1, 2007 through May 1, 2008 to the SWMP as confirmation that the procedure has been implemented and is signed and dated by the reviewer; and
- c. Modifications made to the District's policies and procedures should be in writing and approved by the Executive Board and documented within the District's signed

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meeting minutes. Copies of the policies and procedures as well as the signed meeting minutes and the title and name of the independent reviewer should be provided to the SWMP.

Additionally, the SWMP recommends the following to fully resolve Finding #3:

- a. 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 to implement this procedure 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 Response:

The District did begin reconciliations that were reviewed by staff beginning with July, 2007 – the first month after the audit period and several months before the audit team arrived. Copies of those reconciliations are enclosed. Beginning with the July, 2008 accounting period, the reconciliations will be reviewed, signed and dated by an Executive Board member each month. Any modifications in procedures will be documented in the Executive Board minutes and a copy will be supplied to the SWMP. Written policies will be presented for consideration at the District's next Executive Board meeting.

SWMP Response to District's Corrective Action Plan:

Documentation provided by the District for the period 10/31/07 through 06/30/08 does not include copies of the actual bank statements that would be needed to fully reconcile to the accounting system, reconciliation detail and summary reports. From the documentation submitted, it does not appear the bank reconciliation process is complete and adequate to ensure the security of district assets, which are public monies. To allow for resolution of Finding 3, the District must provide the copies of all reconciliation documents including actual bank statements. Additionally, the District must provide to SWMP copies of the written policies and procedures set forth in SWMP Recommendations, Item b., above.

Failure of the District to provide the reports required to resolve Finding 3 will result in withholding of district funds pursuant to 10 CSR 80-9.050 (9), the SWMP will begin withholding all Region T grant funds on September 1, 2008 and continuing until such time as the district provides the required documentation to show the District's

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compliance with the General Terms and Conditions for state grants, I.E.3, which states “Effective control and accountability must be maintained for all recipient cash, real and personal property, and other assets. Recipients must adequately safeguard all such property and must assure that it is solely for authorized purposes.”

The SWMP also recommended the Executive Board fully resolve Finding #3 by giving 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 these modifications or the additions to the District’s policies to implement this procedure 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. We saw no reference to this procedure in the District’s response. This procedure should be included in the District’s written policies and procedures and a copy along with the Board Meeting Minutes approving such policies and procedures needs to be provided to SWMP no later than September 1, 2008.

4. District Financial Audit Not Completed

Auditor Recommendation:

We recommend that the District arrange for audits as required by state statutes and grant requirements.

District Response:

The District stated, “Proposals were solicited from an auditing firm with no result. The District is in the process of arranging for an audit with another firm.”

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 biennial audit of Districts receiving less than \$200,000 per year.

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SWMP Recommendations:

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 #4:

- 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; and
- c. The District has stated steps have been taken to procure an auditor to complete the District's financial statement audit. Upon receipt and approval by the Executive Board, the District should submit the financial statement audit to the SWMP in order to come into compliance with the audit requirement.

District Response:

Revised procedures will be submitted for consideration by the Executive Board at its next meeting. Any changes will be documented in the Board's minutes and a copy will be supplied to the SWMP. The District did notify the SWMP program before this audit was due and received a waiver. The auditing firm has now completed its site visit, and the District is awaiting receipt of the audit. Once approved by the Executive Board, a copy of the financial audit will be supplied to the SWMP.

SWMP Response to District's Corrective Action Plan:

By September 1, 2008, the District must provide either a copy of the financial statement audit report for the period ended June 30, 2007 or provide a written statement from the audit firm establishing a date by which a draft audit report will be provided for Executive Board review and approval with the final audit report due to SWMP within 10 business days of receipt and approval by the District. (Note: The District will need to establish by the postmark on the envelope/box the date on which the final audit report was transmitted from the audit firm to the District. The District is responsible for providing a copy of the postmark to the SWMP along with a copy of the audit report.)

The District Executive Board in their July 30, 2008 response indicates at their next meeting they plan to review revised financial statement audit procedures. By October 31,

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2008, the District must provide to SWMP a copy of the District's written policies and procedures related to the financial statement audit and a copy of the District's signed meeting minutes showing approval by the Executive Board. (Note: The District's next financial statement audit report will be for the period July 1, 2007 through June 30, 2009.)

Please note, at a minimum, the Executive Board must ensure the District complies with the General Terms and Conditions, I.J., which sets forth the requirements for the financial audit report. Specifically, the report must include all fund types and account groups of the district and that the audit must include the following statements:

- i. Financial Statements with the following minimum account categories:
 - 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 4 will only be fully resolved upon timely submission of the Financial Statement Audit Report for the period July 1, 2007 to June 30, 2009 which must be postmarked to the SWMP no later than the 180th day following the end of the audit period pursuant to 10 CSR 80-9.050(7)(J).

In accordance with the Withholding of District Funds provision of 10 CSR 80-9.050(9)(B), the SWMP is notifying Region T that all future Region T grant funds will be withheld beginning on September 1, 2008 until the district provides either a copy of the financial statement audit report for the period ended June 30, 2007 or provides a written statement from the audit firm establishing a date by which a draft audit report will

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be provided for Executive Board review and approval with the final audit report due to SWMP within 10 business days of its receipt and approval by the District.

5. Incomplete Documentation of Grant Evaluation Process

Auditor Recommendation:

We recommend the District establish written procedures for the review, ranking, and approval of proposals. At a minimum, such procedures should require evaluators to sign and date their evaluations and that the basis for a determination that a proposal is ineligible and/or incomplete be documented. Procedures should also describe the process for applicant notification when a proposal is determined to be ineligible or incomplete.

District Response:

The District stated, “Although evaluation sheets were completed by each Executive Board member present at the Evaluation Board meeting, they were not signed or dated. All future evaluation sheets will be signed and dated.”

SWMP Response:

We concur with the auditor’s recommendation. Failure of the District to adequately document their grant evaluation practice leaves the Executive Board and District vulnerable to criticism from external reviewers, such as auditors and the public, and accusations from applicants who did not receive an award.

Maintaining adequate documentation, including signed and approved Executive Board meeting minutes, will allow the District to respond to issues or concerns raised in a timely and consistent manner. The SWMP encourages Region T to develop and implement a document retention policy to protect the District’s records of its governance and administration, as well as business records that are required to demonstrate legal compliance and to protect against allegations of wrongdoing by the organization or its directors and managers. A document retention policy should be developed to address the length of time specific types of documents must be retained, as well as when it is permissible or required to destroy specific types of documents. Examples of information that should be retained includes: date applications are received; total number of grant applications received for the grant cycle; those entities/individuals requesting and receiving packets; evaluation criteria used for award as established in the regulations and criteria that are District specific; the board members conducting the evaluation, ranking and approval process; an evaluation statement briefly explaining why the successful applicants were selected; why any applications deemed incomplete/ineligible were categorized, as such; and these documents should be signed by each individual

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evaluator/ranker/approver; and signed and dated copies of letters notifying unsuccessful applicants of reasons for the determination that their application was incomplete/ineligible.

SWMP Recommendations:

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

- a. The Executive Board should review and make modifications to the District's policies and procedures related to application evaluation, ranking, approval, and notification to applicants to address the need for compliance with regulatory requirements and adequacy of record retention.
- b. Modifications or additions 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; and
- c. For the next grant cycle, we request the District submit to SWMP, upon approval and signing by the Executive Board, a copy of the Executive Board meeting minutes for the meetings where grant awards are discussed and made as verification of the District's compliance with the evaluation procedures and copies of documentation showing any Executive Board action taken to deem applications as incomplete or ineligible including copies of letters to unsuccessful applicants. This documentation can be submitted with the next quarterly project status reports.

The amended 10 CSR 80-9.050 requires District's to have a conflict of interest policy in place. The SWMP further recommends the District take the following actions to fully resolve Finding #5:

- a. The Executive Board should review and amend or add a District Policy related to conflicts of interest including a requirement for disclosure statements by Executive Board members and staff. Further, the District's policy should include an annual update to these disclosure statements and review and approval of the statements by the Executive Board;
- b. The District should provide copies of the signed individual disclosure statements of Executive Board members and staff to SWMP by October 30, 2008, as verification of the District's compliance with this requirement; and
- c. Any modifications or the addition of a conflict of interest policy 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 Response:

The District now utilizes evaluation sheets that are signed and dated by Board members. Additional policies will be presented for consideration by the Executive Board at its next meeting and any changes in procedures, including procedures for applicant notification

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when a proposal is determined to be ineligible or incomplete, will be in writing and copies will be submitted to the SWMP. In the next grant cycle the District will submit to the SWMP, upon approval and signing by the Executive Board, a copy of the Executive Board minutes for the meetings where grant awards are discussed and made. The District will adopt conflict of interest policies and has requested samples from the SWMP. This policy will include a requirement for disclosure statements for Board and staff as well as an annual update to these disclosure statements and review and approval of the statements by the Executive Board. Copies of the disclosure statements will be provided for Executive Board members and staff to the SWMP by October 30, 2008. Any modifications or additions to a conflict of interest policy will be in writing and approved by the Executive Board and documented within the District's signed minutes. A copy will be provided to the SWMP.

SWMP Response to District's Corrective Action Plan:

The SWMP has reviewed the District's resolution plan related to grant proposal evaluation, ranking, approval, and notification to denied applicants. The SWMP did not receive a copy of the grant evaluation sheet referenced in the District's response. To assist in our review of the District's grant evaluation process corrective action, please provide a copy of this form for our review.

Additionally, the Executive Board's resolution plan indicates additional policies and procedures will be discussed at the next Board Meeting. This finding will remain unresolved until copies of the amended policies and procedures; approved and signed Executive Board minutes adopting the amended policies and procedures; approved and signed Executive Board minutes for the meetings where the next grant cycle's grant awards are discussed and made are provided to the SWMP. With the exception of signed Executive Board minutes for the meetings where the next grant cycle's grant awards are discussed and made, the Executive Board needs to ensure the information contained in the District's resolution plan and a copy of the grant evaluation sheet are provided to the SWMP no later than October 30, 2008.

Failure of the District to provide the documentation required to resolve Finding 5 will result in withholding of District Funds pursuant to 10 CSR 80-9.050 (9), the SWMP will begin withholding Region T's district operations (i.e., administrative) funds on October 31, 2008 and continuing until such time as the district provides the required documentation and can show the District's compliance with 10 CSR 80-9.050(5)(D), Proposal Review and Evaluation.

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6. Quarterly Reports Not Accurate or Complete – Repeat Finding

Auditor Recommendation:

We recommend that the District implement procedures to ensure that quarterly reports include sufficient documentation on project progress and that the thirty day deadline for submitting quarterly and final reports to MDNR is achieved and properly documented.

District Response:

The District stated, “All quarterly reports submitted in 2007 have been timely and have been dated. The reports are currently filed electronically and not signed even though the preparer’s name is listed. Greater detail will be added to the progress section.”

SWMP Response:

We concur with the auditor’s recommendation.

SWMP Recommendations:

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

- a. The District should review and amend the current written policy and related procedures for subgrantee submission of quarterly progress reports to the District to ensure the District’s reports can then be timely prepared and filed;
- b. The District should provide training to District subgrantees related to the appropriate use of grant funds and the budget amendment and reporting requirements;
- c. The District should then review and amend the written policy and related procedures for the District’s filing of the quarterly reports with MDNR to ensure timely submission or requesting a waiver in sufficient time to allow the SWMP to respond prior to the District being out of compliance; and
- d. Any modifications made to the 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 Response:

The District has not been late on quarterly reports for the last year but will adopt written policies and related procedures for subgrantee submission of quarterly progress reports to the District to ensure the District’s reports can then be timely prepared and filed. The District will begin, in the next grant cycle, to provide training to subgrantees related to the appropriate use of grant funds and the budget amendment. The District will review written policies and related procedures for the District’s filing of quarterly reports with

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the SWMP to ensure timely submission or requesting a waiver in sufficient time to allow the SWMP to respond prior to the District being out of compliance. Any modifications made to District policies will be in writing and approved by the Executive Board and documented within the Board's signed meeting minutes with a copy provided to the SWMP.

SWMP Response to District's Corrective Action Plan:

From the Executive Board's response, we understand the District will be providing:

- Written policies and related procedures to subgrantee timely submission of quarterly progress reports to the District;
- Written policies and related procedures to ensure the District can timely submit the required quarterly and annual reports to the SWMP or request an extension;
- Training, at least annually, to grant applicants related to the appropriate use of grant funds and the budget amendment and reporting requirements; and
- Copies of the policies, procedures and other supporting documentation will be provided to SWMP to assist in resolving Finding 6.

This documentation must be provided to the SWMP no later than November 30, 2008.

Failure of the District to provide the reports required to address Finding 6 by the due date above will result in withholding of District Funds pursuant to 10 CSR 80-9.050(9). Specifically, the SWMP will withhold Region T's district operations (i.e., administrative) funds until such time as the district provides the required documentation related to reports required by 10 CSR 80-9.050(6).

7. Project Administration – Questioned Costs: \$1,756 – Repeat Finding

Auditor Recommendation:

We recommend that the District establish procedures to ensure that quarterly reports accurately present project periods and are timely submitted. We also recommend the District resolve questioned costs of \$1,756 with MDNR. Additionally, a current financial assistance agreement should be maintained for open grants.

District Response:

The District stated, "All 2007 projects were listed in quarterly reports as one year projects. The \$1,756 disbursed in 2007 was for District projects relating to open dumps and tire collection projects. Those projects were extended in July, 2007, long before the auditors arrived. The District will provide extensions, in the future, in all cases before the end of the project when the project has not been completed but is moving forward."

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SWMP Response:

We concur with the auditor's recommendation.

SWMP Recommendations:

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

- a. The District should review its current written policy and related procedures to ensure timely review and amendment, as appropriate, of Financial Assistance Agreements with subgrantees;
- b. 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; and
- c. The District should provide a copy of all reimbursement supporting documentation submitted for grants 2004-185 and 2005-196 to allow for review and further action by SWMP related to the questioned costs.

District Response:

All District Financial Assistance Agreements are now current. The Board will review a policy relating to timely review and amendment, as appropriate of Financial Assistance Agreements with subgrantees. Modification of policies will be in writing and approved by the Executive Board and documented with the District's signed meeting minutes with copies provided to the SWMP. The District will provide supporting documentation on grants 2004-185 and 2005-196. Documentation is being submitted relating to these expenditures and District staff will be available to provide additional documentation and address this issue with the SWMP staff.

SWMP Response to District's Corrective Action Plan:

Regardless of the lack of executed financial assistance agreements for the period, the SWMP has reviewed the documentation submitted by the District for the two projects managed by the administrative contractor (i.e., 2004-185, Open Dump Clean-up and 2005-196, Tire Collection) along with quarterly reports for these projects, and have determined the costs charged to these grants were excessive for the work completed. We have no data submitted by the District to support completion of project work activities in accordance with the original grant applications or financial assistance agreements, such as the number of tires collected or dumps cleaned-up.

The documentation submitted by the District supports only minimal charges for performance of district grant funded activities. Therefore, unless the District can provide

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other records or documentation to support these expenditures on September 30, 2008, \$114.38 of questioned costs related to 2005-196 and \$1,329.84 of questioned costs related to 2004-185 will be disallowed.

Further, as noted in Mr. Childers' letter to the Board's Chairman, the SWMP has provided Region T adequate time to bring planned educational, open dumping, and scrap tire collection projects on-line. In the State Auditor's Report 2006-010, Finding 4, Fund Balances, it is noted Region T has been approving new grants for educational and dump clean-up programs, while grant monies awarded in previous years for the same purposes have not yet been spent. 10 CSR 80-9.050(C)8 states "All district funds shall be used for implementation of a solid waste management plan, district operations, solid waste management, waste reduction, recycling and related services as approved by the district executive board and department." It is apparent the District has to date failed to use the funding set aside for the educational, dump clean-up, and scrap tire events in compliance with the regulations. The SWMP, as a result of the District's failure to address this area of non-compliance, will be requiring the district to repay to the SWMP \$35,956.90 in district grant funds which have been rolled forward from grant-to-grant and such roll forwards exceed a 24 month period. The total amount to be repaid by Region T is \$35,956.90. This amount represents the remaining unspent balance \$17,794.12 of the Open Dump Clean-up grant 2004-185 and the remaining unspent balance \$18,162.78 of the Tire Collection grant 2005-196. In accordance with the District Grant Rule, 10 CSR 80-9.050(9)(E), "the department shall reallocate these (i.e., withheld/reduced) funds to all districts that, at the time of the reallocation, are in compliance with all requirements and have addressed all deficiencies identified in a district's audit to the satisfaction of the department. The reallocation shall be made to districts in accordance with the allocation criteria pursuant to section 260.335, RSMo."

Currently, the SWMP is monitoring the District's progress on Tire Collection grant projects 2007-05 and 2007-11. We know the District has been working to coordinate efforts with the SWMP Scrap Tire Unit's Scrap Tire Roundup Program. Should the District fail to complete these projects in the planned grant cycle, we request these funds be unobligated and made available for city/county projects during the next grant cycle.

8. Administrative Cost Allocations – Questioned Costs: \$38,722 – Repeat Finding

Auditor Recommendation:

We recommend the District implement procedures to ensure that administrative expenses claimed are properly supported in accordance with requirements as stated in OMB Circular No. A-87. Such procedures should include a time accounting system to support salaries charged to the grant. We also recommend that the District resolve the questioned cost with the MDNR.

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District Response:

The District stated, "...administrative time allocations were based on estimates on time spent in previous years and staff made sure to meet the allocations each pay period. However, the system was changed beginning July 1, 2007, and invoices are now provided showing the date the work was performed, how many hours were spent doing the work, who performed the work and a description of the work done."

SWMP Response:

We concur with the auditor's recommendation. We understand from the auditor's finding this problem occurred as a result of administrative costs for salaries and related fringe benefits being allocated based on estimates of time spent by staff. The auditor stated "These estimates were not supported by time sheets or other documented analysis of time spent. Salaries and fringe benefits were also used for local match and were likewise based on estimates."

The District should review and amend their policies and procedures to ensure that where 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 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 Recommendations:

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

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- a. The District should review its current written policy and procedures related to time reporting and supporting documentation to ensure it 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 charged to District funds or reported as match;
- c. 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; and
- d. District staff will need to schedule a meeting to work with SWMP staff to resolve the questioned costs.

District Response:

The District has changed procedures relating to time reporting and supporting documentation to a system of direct billing rather than time allocation. Copies of the reports generated by this new system have been provided to the SWMP and SWMP have provided technical assistance on how to make the system better. The Executive Board will consider and approve these modified procedures in writing, document the modified procedures in signed meeting minutes and provide a copy of those minutes to the SWMP. District staff has already met with SWMP staff and has begun providing documentation. District staff will continue to work with SWMP staff to address this issue.

SWMP Response to District's Corrective Action Plan:

This is a significant audit finding. This finding has the potential to result in a \$38,722 disallowance to the district; an amount equal to two years of administrative funding. SWMP and the Department's Internal Audit Program (IAP) staff met with the District on July 22, 2008 to review files at the District's office in Camden. To date information provided by the District is not sufficient to determine allowability of these questioned costs. The SWMP plans to meet again with District staff on August 14, 2008 to continue working to obtain copies of documentation for these expenditures. However, costs not adequately supported by required documentation may ultimately be disallowed.

9. Surety Bonding – Repeat Finding

Auditor Recommendation:

We recommend the District obtain surety bond coverage for all employees and Executive Board members involved with the receipt and disbursement of District funds.

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District Response:

The District stated, “The surety bonds are now in place.”

SWMP Response:

We concur with the auditor’s recommendation.

SWMP Recommendations:

The District has indicated this finding has already been addressed. Please document the following actions to resolve Finding #9:

- a. The District has provided a copy of surety bond coverage to SWMP.
- b. The Executive Board has reviewed and amended the District’s policy and related procedure to ensure adequate surety bond coverage is maintained at all times for District staff and Executive Board members, as needed; 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 with a copy provided to the SWMP.

District Response:

The District has provided a copy of the surety bond to the SWMP’s auditors. The Executive Board will review policies to make sure adequate surety bond coverage is maintained at all times for District staff and Executive Board members, as needed. 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 a copy provided to the SWMP.

SWMP Response to District’s Corrective Action Plan:

We are in receipt of a copy of the fidelity bond instrument that became effective for the District on November 29, 2007. To fully resolve Finding 9, the Executive Board must:

- a. 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; and
- b. ensure these modifications or additions to district policies are in writing and are approved by the Executive Board and documented within the district’s signed meeting minutes.

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Additionally, the District will need to provide a copy of the “renewed” fidelity bond instrument to demonstrate continued compliance for the period beginning on November 29, 2008 to the SWMP. Until a copy of that fidelity bond instrument; the written policies and procedures; and meeting minutes are provided to SWMP, Finding 9 remains unresolved. All required documentation to resolve Finding 9 must be provided to the SWMP no later than November 30, 2008.

Failure of the District to provide the reports required to address Finding 9 by the due date above will result in withholding of District Funds pursuant to 10 CSR 80-9.050 (9). Specifically, the SWMP will withhold Region T’s district operations (i.e., administrative) funds until such time as the district provides the required documentation.

10. Fixed Assets Inventory – Repeat Finding

Auditor Recommendation:

We recommend the District maintain property inventory records of all sub-grantee equipment as described in the General Terms and Conditions and that a physical inventory be completed at least once every two years.

District Response:

The District stated, “As stated above, the inventory has been completed and was completed prior to the time the audit team arrived.”

SWMP Response:

We concur 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 Recommendations:

The District has indicated this finding has already been addressed. Please document the following actions to resolve Finding #10:

- a. The District should have established 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. The District should provide to SWMP a copy of the recently completed physical inventory as verification of the District’s compliance with this requirement; and

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- 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. A copy of these documents should be provided to the SWMP.

District Response:

The District will establish a written policy and related procedure to account for capital assets, including equipment, in accordance with the general terms and conditions. A copy of the most recent physical inventory is enclosed. The procedures followed for this inventory has been reviewed with the SWMP staff and revisions will be considered by the Executive Board to make the process better. 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. A copy of these documents will be provided to the SWMP.

SWMP Response to District's Corrective Action Plan:

From the Executive Board's response, we understand the District will be providing:

- written policies and related procedures to account for capital assets, including equipment;
- these modifications or additions to the District policies will be in writing and approved by the Executive Board and documented within the District's signed meeting minutes; and
- copies of the policies, procedures and other supporting documentation will be provided to SWMP to assist in resolving Finding 10.

We received the copy of the most recently completed physical inventory of capital assets and have determined it includes the information required by the District Grant Rule, 10 CSR 80-9.050(7)(K). However, until the written policies and procedures and meeting minutes are provided, Finding 10 remains unresolved. This written documentation must be provided to the SWMP no later than November 30, 2008.

Failure of the District to provide the reports required to address Finding 10 by the due date above will result in withholding of District Funds pursuant to 10 CSR 80-9.050 (9). Specifically, the SWMP will withhold Region T's district operations (i.e., administrative) funds until such time as the district provides the required documentation.

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11. District Organization

Auditor Recommendation:

We recommend the District locate or obtain documentation from the MDNR to support the propriety of the District organization.

District Response:

The District stated, “The county resolutions are being placed in the District files where they can be easily located.”

SWMP Response:

We concur with the auditor’s recommendation. The District requested we review our files to determine if copies were available from SWMP files. We did not locate copies of the official documents creating Region T. The District should take the steps necessary to obtain copies of the resolutions and provide copies to the SWMP.

SWMP Recommendations:

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

- a. The District should take the steps necessary to obtain resolutions from each of the three counties within the District; and
- b. The original resolution documents should be maintained as a permanent record of Region T – Lake of the Ozarks Solid Waste Management District. Copies of the resolution documents should be provided to the SWMP.

District Response:

Copies of the District organizational resolutions from 1992 are enclosed as well as correspondence from the DNR that officially designated the District.

SWMP Response to District’s Corrective Action Plan: (Finding Resolved)

With submittal of this information, the SWMP considers Finding 11 resolved. Again we would encourage the District to strengthen their business practices by developing and implementing a document retention policy to protect the District’s records of its governance and administration, as well as business records that are required to demonstrate legal compliance and to protect against allegations of wrongdoing by the organization or its directors and managers.