

INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES

REGION B  
NORTH MISSOURI SOLID WASTE  
MANAGEMENT DISTRICT  
TRENTON, MISSOURI

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

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

REGION B  
NORTH MISSOURI  
SOLID WASTE MANAGEMENT DISTRICT  
TRENTON, MISSOURI

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REGION B  
NORTH MISSOURI SOLID WASTE  
MANAGEMENT DISTRICT

History and Organization

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

The North Missouri Solid Waste Management District was formed in Region B under a Joint Powers Agreement, pursuant to Revised Statutes of Missouri (RSMo), Chapter 260.305, and was officially recognized by the DNR in October 1991. The Joint Powers Agreement provides the legal status, purpose, membership eligibility, and powers and duties of the District. The District is in agreement with the Green Hills Regional Planning Commission to provide facilities, staff and support capabilities in exchange for \$30,000 paid to the Green Hills Regional Planning Commission annually. The District includes the counties of Caldwell, Carroll, Chariton, Daviess, Grundy, Harrison, Linn, Livingston, Mercer, Putnam and Sullivan and their participating cities (21) with a population of 500 or more. Participation in the District is voluntary and is formally established through a resolution of adoption filed with the District office by the member governments. The purpose is to develop and improve efforts to reduce the amount of solid waste generated and disposed of in an eleven county region located in North-Central Missouri and to meet the goals set out in RSMo. Chapter 260. The District will make recommendations and suggestions relating to solid waste collection, storage, transportation, remanufacture and disposal. The District also intends to promote local problem solving and autonomy in solid waste management systems.

The District is comprised of a planner, an executive director, and a council of eleven participating counties and twenty-one sub-management municipal units. However, Region B does not have an Executive Board. Members of the Council are from the following political subdivisions:

- The County of Caldwell, Missouri: the City of Polo, the City of Hamilton, the City of Braymer
- The County of Carroll, Missouri: the City of Carrollton, the City of Norborne
- The County of Chariton, Missouri: the City of Keytesville, the City of Salisbury, the City of Brunswick
- The County of Daviess, Missouri: the City of Jamesport, the City of Gallatin
- The County of Grundy, Missouri: the City of Trenton
- The County of Harrison, Missouri: the City of Bethany, the City of Ridgeway
- The County of Linn, Missouri: the City of Bucklin, the City of Marceline, the City of Brookfield
- The County of Livingston, Missouri: the City of Chillicothe
- The County of Mercer, Missouri: the City of Princeton
- The County of Putnam, Missouri: the City of Unionville
- The County of Sullivan, Missouri: the City of Green City, the City of Milan

The governing body of the North Missouri Solid Waste Management District is the Board of Directors elected by the 32 members of the District. These 32 members are made up of the county presiding commissioner and the city mayor; they are elected for a two year term or when their official duty time expires. The members are:

- Caldwell County, Dale Hartley
- City of Braymer, Kenny Rogers
- City of Hamilton, John Catron
- City of Polo, William Cook
- Carroll County, Nelson Heil
- City of Carrollton, Sharon Metz
- City of Norborne Roger Leabo
- Chariton County, Larry R. Peters
- City of Brunswick, Rick Derenzy
- City of Keytesville, Sue Prewitt
- City of Salisbury, Jim Ramsey
- Daviess County, David Tolen
- City of Gallatin, Gene Schwietzer
- City of Jamesport, J.L. Eckleberry
- Grundy County, Kenny Roberts
- City of Trenton, Gary Hall
- Harrison County, Steve Francis
- City of Bethany, Joe Johnson
- City of Ridgeway, Danny Claycomb
- Linn County, Rick Solomon
- City of Brookfield, Richard Techau
- City of Bucklin, Carl Jackson

- **City of Marceline, Bill Stewart**
- **Livingston County, Eva Danner**
- **City of Chillicothe, Todd Rodenberg**
- **Mercer County, Clifford Shipley**
- **City of Princeton, Michael Greenley**
- **Putnam County, Charles Fowler**
- **City of Unionville, Clyde Schultz**
- **Sullivan County, Chris May**
- **City of Green City, Lois Jerome**
- **City of Milan, Bill Maulsby**

McBRIDE, LOCK & ASSOCIATES

INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED UPON PROCEDURES

Missouri Department of Natural Resources  
and  
Region B – North Missouri Solid Waste  
Management District  
Trenton, Missouri

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

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

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

**Findings:** See Finding Nos. 1 and 3

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

**Findings:** See Finding No. 2

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

**Findings:** See Schedule V

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

**Findings:** See Finding Nos. 7 and 9

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

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

**Findings:** See Finding No. 4

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

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

**Findings:** None

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

- Non-Discrimination;
- Environmental Laws and Eligibility;
- Hatch Act and Restrictions of Lobbying;
- Program Income;

- Equipment Management;
- Prior Approval for Publications;
- Audit Requirements:
- Recycled Paper; and
- Contracting with Small and Minority Firms.

**Findings:** See Finding Nos. 7 and 8

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

**Findings:** None

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

- Proposal Procurement Process;
- Proposal Review and Evaluation; and
- Awarded Projects.
  - Region B Solid Waste Implementation Plan, 2005024
  - Hope Haven Industries – purchase a bailer, 2005177
  - Livingston County – recycling services to residents, 2005176
  - Region B Banned Item Collection, 2005180

**Findings:** See Finding Nos. 5 and 6

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

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

*McBride, Lock & Associates*

McBride, Lock & Associates  
 Certified Public Accountants

October 19, 2006

**REGION B  
NORTH MISSOURI SOLID WASTE MANAGEMENT DISTRICT  
TRENTON, MISSOURI**

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

**1. Composition of the Executive Board**

**Condition** – The District is operating without an Executive Board of Directors.

**Criteria** – RSMo Section 260.315.4(2) states that the council shall select seven persons to serve on the executive board.

**Effect** – The District must comply with state statutes in order to be recognized as an entity entitled to State funding.

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

**Recommendation** – We recommend that the District be required to immediately establish an executive board. Since the District has recently implemented an eleven member Executive Board, an alternative management structure will need to be adopted which the District plans to establish at an upcoming meeting of the Board.

**District Response** – The District agreed with our finding and recommendation.

**2. Board of Director Minutes**

**Condition** – The following was noted in reviewing board minutes; note that the agreed-upon procedures required a review of six sets of board minutes but only four were available for the engagement period.

- a. Location of the meeting was not disclosed (4 of 4);
- b. Absentees were not listed (4 of 4); and
- c. Quorum was declared for the conduct of business; however, a majority of members to establish a quorum were not present (4 of 4).
- d. The District did not have an Executive Board, therefore, no Board minutes could be reviewed.

**Criteria** – RSMo Chapter 610 (commonly referred to as the Missouri Sunshine Law) and the Joint Powers Agreement, Article 8, Section 3, require the above mentioned items to be documented in the minutes for each Board of Director's meeting.

**Effect** – The minutes are the official report made of the transactions and proceedings of the Board of Directors and are a permanent record; thus, they should be complete and accurate.

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

**Recommendation** – We recommend that the District be required to immediately adopt all required forms of documentation as stipulated by the Missouri Sunshine Law and the Joint Powers Agreement. We also recommend that the District inform all Board of Directors; that they must be active and participative; this will aid in establishing a legitimate quorum at the quarterly meetings.

**District Response** – The District agreed with the finding and recommendation.

3. **Failure to Adopt Bylaws and Conduct Quarterly Meetings**

**Condition** – The following was noted in reviewing the composition of the District:

- a. Bylaws have never been created for the District; and
- b. Meetings have been conducted bi-annually rather than quarterly.

**Criteria** – The Joint Powers Agreement, Article 6, Section 2 and RSMo Section 260.320.2 states that the duties of the district include adopting by-laws for the operation of the District. Additionally, Article 8, Section 6 states that the Board of Directors shall meet at least quarterly.

**Effect** – The District must comply with state statutes, including their Joint Powers Agreement, in order to be recognized as an entity entitled to State funding.

**Cause** – The District was not aware of the absence of a set of bylaws, and to conduct quarterly meetings.

**Recommendation** – We recommend that the District be required to create a set of bylaws immediately and submit them to DNR to demonstrate compliance with RSMo Section 260.320 and the Joint Powers Agreement in order to govern the manner in which its business may be transacted. Additionally, Board meetings should be held on a quarterly basis in order to keep an active and resourceful District.

**District Response** – The District agreed with the finding and recommendation.

4. **Bank Reconciliations**

**Condition** – It was noted that the bank reconciliations did not appear to be completed on a timely basis or completed accurately. The bank statements are intended to be

reconciled monthly; however, the bank reconciliation dates document that they are not always performed timely. For example, the 5/18/06 bank statement had a bank reconciliation date of 6/20/06. The bank reconciliations also do not have initials of the person performing the reconciliation.

The bank reconciliations for the years ended 6/30/05 and 6/30/06 on the Solid Waste General Fund are not being reconciled to the general ledger. For the year ended 6/30/05 there is a difference of \$1,787.50 between the bank statement and the general ledger. For the year ended 6/30/06 there is a difference of \$2,192.90 between the bank statement and the general ledger. The general ledger shows many various items being credited and debited without any back-up; in their system, these are called "balance adjustments." The bank statements and records do not indicate any back-up of these adjustments. Because of this, the general ledger does not reconcile to the bank statements and the District did not investigate differences between the general ledger balance and the bank statement's reconciliations. Additionally, the cash balances per the bank and the general ledger are not reconciled to the Quarterly Project Financial Report submitted to DNR. See Schedules II and III.

The Prior Audit Finding No. 1 noted the lack of segregating cash reconciliation procedures. The bank reconciliation is now performed by an independent person as observed during the audit period.

**Criteria** – The Joint Powers Agreement, Article 13, states that "the District shall keep correct and complete books and records of account." Also, DNR General Terms and Conditions I.E.3 states "Effective control and accountability must be maintained for all subgrantee cash, real and personal property and other assets."

**Effect** – It is not possible to verify the cash balance on hand and how to recognize unauthorized activity in the account. Also, the accounting records may not present accurate financial activities of the District.

**Cause** – The District does not fully understand the accounting system in place.

**Recommendation** – We recommend that the District be required to reconcile bank statements on a timely basis, and the person performing the reconciliations initial the reconciliation to verify that, to their knowledge, it was performed timely and accurately. Additionally, we recommend that the District reconcile the 6/30/05 and 6/30/06 cash balances per the bank reconciliation to the official accounting records. In the future, the District should perform this reconciliation monthly. The District should also maintain documentation of any adjustments to the accounting system. Additionally, the bank reconciliation should be reconciled to the Quarterly Project Financial Reported submitted to DNR.

**District Response** – The District agreed with the finding and recommendation and will implement procedures to complete the bank reconciliations on a timely and

accurate basis. Additionally, they agreed to reconcile the bank statements to the District's accounting record to ensure that the bank reconciliation will agree with the accounting system.

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

**Condition** – A UCC Financing Statement to document the personal property lien on the newly purchased Excel Baler under project number 2005177 located at Hope Haven Industries was not completed and filed with the Secretary of State in a timely manner.

**Criteria** – Special Terms and Conditions, Attachment 2, Section 4.2.a, states “it is the responsibility of the district to obtain the UCC-1 forms and meet all requirements regarding their use.” This would include ensuring that the District UCC-1 Financing Statements are timely filed.

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

**Cause** – The condition was the result of an administrative oversight by the District.

**Recommendation** – We recommend that the District be required to implement procedures to ensure that the District is in compliance with Special Terms and Conditions pertaining to the timely filing of UCC Financing Statements.

**District Response** – The District agreed with our finding and recommendation, this was completed and filed on 10/17/06.

6. **Grant Evaluation Form**

**Condition** – A prior finding (See Prior Finding No. 10) indicates that the District did not include all criteria set out in the Code of State Regulations (CSRs) to evaluate grant proposals, and at that time, the District submitted written procedures to ensure complete evaluation of all grant applications. During the audit period, the District used a standardized evaluation form to score each district grant proposal. However, the form did not contain all of the evaluation criteria required by state regulations. The two missing elements were the degree to which funding to the project will adversely affect existing entities in the market segment and the technical feasibility of the project.

**Criteria** – 10 CSR 80-9.050(2) (c) (3) lists nineteen criteria by which subgrant proposals should be evaluated. The two elements listed above are among those criteria.

**Effect** – Subgrant proposals were not evaluated using all criteria required by CSRs which could result in an inappropriate subgrant award.

**Cause** – The criteria of the CSRs were not fully considered in the development of the evaluation tool.

**Recommendation** – We recommend that the District evaluation form be revised to include all criteria required by state regulations.

**District Response** – The District agreed with our finding and recommendation, and will implement procedures to ensure that these items are reviewed as part of the grant proposals.

7. **Reports Not Timely Filed**

**Condition** – The audit noted that the quarterly project status reports for the grant projects reviewed, 2005176, 2005177, 2005178, 2005179, 2005180, 2005024 were for the periods ended September 30, 2005, December 31, 2005 and June 30, 2006 were not signed and dated indicating the date in which they were submitted to DNR. Additionally, the quarterly project status reports for the period ending March 31, 2006 were not timely filed within 30 days subsequent to the end of the quarter as required. Furthermore, the final report for project 2005177 was not signed and dated indicating the date in which it was submitted to DNR.

**Criteria** – 10 CSR 80-9.050(3) (B)1 requires the District to submit a report at the end of each state fiscal year quarter. The DNR Guidance Document of Solid Waste Management District Grants requires the quarterly reports to be filed 30 days following the report period.

**Effect** – Required status reports were not received by DNR on a timely basis to allow adequate time for review and processing.

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

**Recommendation** – We recommend that the District be required to submit its reports to DNR within the time limits allowed by state rule, and that they maintain the signed and dated reports and submit a copy to the DNR.

**District Response** – The District informed us that they do not make copies of the quarterly reports after they have been signed and dated; however, they would institute steps to identify their compliance in the future.

8. **Equipment Management**

**Condition** – The audit noted that the District does not perform a physical inventory for property purchased with district grant funds at least once every two years, and the District inventory list does not include the date of acquisition and cost of inventory purchased with district grant funds. This was also a finding noted in the prior audit (See Prior Finding No. 8). At that time, the District submitted written procedures to address these issues.

**Criteria** – The DNR General Terms and Conditions I.H.2.a., states “Property records

must be maintained that include a description of the equipment, a serial number,...the source of property, the acquisition date, and the cost of the property...” Additionally, the DNR General Terms and Conditions I.H.2.b., states “A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.”

**Effect** – Property purchased under the program has not been properly inventoried placing the District at risk for unauthorized use or disposition of items.

**Cause** – The District has not implemented a proper inventory practice.

**Recommendation** – We recommend that all required items be maintained in the property records and that a physical inventory of property be taken and the results reconciled with the property records at least once every two years in accordance with DNR General Terms and Conditions.

**District Response** – The District agreed with the finding and recommendation and will implement procedures to ensure that a physical inventory of property is taken and reconciled to the property records at least once every two years. Additionally, the District will update its property records to ensure that all items required are maintained in the property records.

9. **Allocation of Grant Funds**

**Condition** – It was noted that the District does not have an equitable way to allocate salaries based on time and effort between the Regional Planning Commission and the Solid Waste Management District. See Prior Finding No. 2 which addressed payment issues to the Regional Planning Commission.

**Criteria** – The DNR General Terms and Conditions I.E.2 states that the District should “maintain records which adequately identify the source and application of funds provided for financially assisted activities.” Additionally, the DNR General Terms and Conditions I.E.4 states, that “actual expenditures or outlays must be compared with budgeted amounts for each agreement.”

**Effect** – District does not have any specific procedures in place to allocate salaries between grants. It doesn’t appear that any specific projects were affected, but puts the District at risk for misreporting salaries.

**Cause** – The District has not implemented proper time reporting procedures.

**Recommendation** – We recommend the District be required to implement procedures that time and effort be reported properly to allocate salaries between the Regional Planning Commission and the Solid Waste Management District.

**District Response** – The District agreed that time reporting procedures should be implemented to clearly demonstrate the allocation of salaries between the two Divisions.

North Missouri Solid Waste Management District  
 Status of Subgrant Awards  
 June 30, 2006

Schedule II

<u>Subgrant No.</u>	<u>Purpose</u>	<u>Awards</u>		<u>Unspent Funds</u>
		<u>Obligated</u>	<u>Unobligated</u>	
2005176	Livingston County Intercommunity Recycling	\$ 5,304.00	\$ -	\$ -
2005177	Hope Haven Industries Baler Purchase	10,000.00	-	-
2005178	Grundy County Recycling	2,772.46	-	-
2005179	Caldwell County Recycling	8,381.26	-	-
2005180	Region B Banned Item Collection	27,528.68	-	16,382.32
2005024	Region B Solid Waste Implementation Plan	30,000.00	-	-
2006B-01	District Grant	23,750.00	-	-
	District Grant (FY 2006)	-	45,000.00	45,000.00
	Interest		270.50	270.50

The \$270.50 of interest earned plus the \$16,382.32 of unspent funds equals the amount presented on the DNR quarterly report for 6/30/06 but does not equal the general ledger balance of \$17,558.88 as of 6/30/06. Additionally, the \$45,000.00 of FY 2006 District Grants was not presented on the DNR quarterly reports.

North Missouri Solid Waste Management District  
General and Grant Account Balance  
June 30, 2006

Schedule III

	<u>Unaudited</u> <u>(See Finding No. 4)</u>
Grant Account Balance per General Ledger	\$ 17,558.88
General Account Balance per General Ledger	<u>50,854.70</u>
Total Account Balances	<u>\$ 68,413.58</u>

The general ledger balance in the Grant Account does not reconcile to the amount reported on the DNR quarterly report. The General Account was not reported on the DNR quarterly report.

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

Schedule IV

<u>Received</u>	<u>Total Amount</u>	<u>Fiscal Year</u>	<u>Type</u>
<u>Year Ended June 30, 2006</u>			
April 2006	\$23,750.00	2006	District Grant
January 2006	\$4,036.81	2006	State Project Grant
December 2005	\$19,037.29	2005	State Project Grant
August 2005	<u>\$45,000.00</u>	2005	District Grant
Total From DNR in FY 2006	<u><u>\$91,824.10</u></u>		
<u>Year Ended June 30, 2005</u>			
March 2005	\$30,000.00	2005	District Grant
December 2004	<u>\$45,000.00</u>	2004	District Grant
Total From DNR in FY 2005	<u><u>\$75,000.00</u></u>		

**REGION B**  
**NORTH MISSOURI SOLID WASTE MANAGEMENT DISTRICT**  
**TRENTON, MISSOURI**

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

A prior audit was performed by an audit firm contracted by DNR. Of the 10 findings, 6 were implemented by the District and 4 were not implemented or partially implemented.

1. **FINDING – Incompatible Duties**

**Condition** – The District’s cash reconciliation procedures call for the bank reconciliations to be done by the same person who maintains the general ledger and prepares disbursement checks for signing and mails checks to vendors.

**Current Status** – The District developed and adopted a written fiscal operations manual. The manual outlines procedures for segregation of duties, posting and collecting receipts, and other internal control procedures. However, see Finding No. 4 for our review of monthly bank reconciliations.

2. **FINDING – Management Contract Terms Violated**

**Condition** – The District entered into a management contract with Green Hills Regional Planning Commission for a fixed price each year. The District then wrote checks to the Commission. However, no invoices were prepared to identify the periods to which these draw downs pertained. The draw downs exceeded the contracted amounts.

**Current Status** – The District no longer disburses funds to the Planning Commission until the District has received copies of timesheets and payroll checks noting a breakdown of hours worked for each department. This documents the amount of the District’s checks, and eliminates the concern of contracted amounts. However, see Finding No. 9 for Allocation of Grant Funds regarding salaries based upon time and effort.

3. **FINDING – Inadequate Documentation Required From Subgrantees**

**Condition** – The District does not require that subgrantees submit paid invoices and cancelled checks to support subgrantee expenditures.

**Current Status** – Review of reimbursements made to subgrantees indicated that the District requires and maintains paid invoices and cancelled checks to support subgrantee expenditures. Consider the finding resolved.

4. **FINDING - Retainage**

**Condition** – We noted that the grantee was not applying the contractual restrictions in the State regulations and the General Terms and Conditions to disbursements to subgrantees. Payments were made in some cases to subgrantees prior to disbursement of funds to vendors, and the required 15% retention was not withheld from grant payments prior to receipt of the subgrantee's final report.

**Current Status** – The audit noted no instances of payments made to subgrantees in advance or instances in which the District did not retain 15% of grant funds until receipt of the subgrantee's final report. Consider the finding resolved.

5. **FINDING – Subgrantee Not on Reimbursement Basis**

**Condition** – The District's policy is to pay subgrantees upon their submitting an invoice to the District, and the District's receiving funds from the DNR. No policy is in place to assure that the funds are paid on a reimbursement basis. Funding was advanced to many subgrantees with the understanding that payments to vendors would not be made until funding was received from the District.

**Current Status** – The audit noted no instances of advanced payments made to subgrantees prior to the District receiving support for expenditures and quarterly reports. Consider the finding resolved.

6. **FINDING – Interest Income Not Reported**

**Condition** – Interest income was earned by the District in their checking account. The District did not report their interest income and the program did not deduct the interest income from outlays.

**Current Status** – The audit noted that the District is reporting their interest income to DNR on a quarterly basis. Consider this finding resolved.

7. **FINDING – Procurement Procedures**

**Condition** – The District does not require documentation of subgrantee procurements.

**Current Status** – The audit noted that the District requires and maintains documentation, such as solicitation of bids for equipment purchases, from subgrantees to ensure that proper procurement procedures are followed. Consider the finding resolved.

8. **FINDING – Property Inventory – Restricted to Subgrantees Only**

**Condition** – The District does not maintain an inventory of property purchased by subgrantee.

**Current Status** – The audit noted that the District does not perform a physical inventory for property purchased at least once every two years. See Finding No. 8 for our review of equipment management.

9. **FINDING – Recycled Paper**

**Condition** – The District is not using recycled paper.

**Current Status** – It was physically observed that the District is currently using recycled paper, and is in compliance with the contract terms. Consider this finding resolved.

10. **FINDING – Inadequate Evaluation Completed for District Grant Proposals**

**Condition** – The criteria used by the District to evaluate District grant proposals did not include all of the 18 evaluation criteria required by statute. Only eight criteria were used for 1994 grants, and nine for 1995 grants.

**Current Status** – The audit noted that the District uses a standardized evaluation form to score each district grant proposal. However, the form did not contain all of the evaluation criteria required by statute. The two missing elements were the degree to which funding to the project will adversely affect existing entities in the market segment and the technical feasibility of the project. See Finding No. 6.