

REGION Q OZARK FOOTHILLS REGIONAL SOLID WASTE DISTRICT  
Poplar Bluff, Missouri

Independent Accountant's Report  
On Applying Agreed-Upon Procedures

For the Examination Period  
July 1, 2004 through June 30, 2006



MARVIN L WILSON, CPA, LLC

JEFFERSON CITY, MISSOURI

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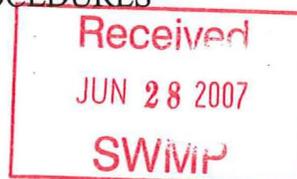
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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Missouri Department of Natural Resources  
and  
Region Q – Ozark Foothills Regional  
Solid Waste Management District  
Poplar Bluff, 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 Q Ozark Foothills Regional Solid Waste Management District's (the "District") 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 standards applicable to attestation engagements contained in Government Auditing Standards issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in this 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;
  - Council and Executive Board structure, terms and functions, including if the District was organized under an alternative management structure;
  - Policies and procedures for monitoring members of the Executive Board and Council; and
  - District by-laws.

Findings: See Finding No. 1



2. Minutes of Meetings. We reviewed all minutes of meetings for the Council and Executive Board for the engagement period and selected six meetings (at least one council meeting and one executive board meeting) 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 Prior Findings

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

Findings: See Finding No. 5

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. 5

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, properly approved, and in compliance with the contract terms.

Findings: See Finding No. 4

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 No. 3 and 6

8. 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:
  - Ozark Foothills Resource Recovery – (2005163)
  - Ozark Foothills Resource Recovery – (2004012)

Findings: None

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 Q – Ozark Foothills Regional 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.



Marvin L Wilson, CPA

October 27, 2006

REGION Q OZARK FOOTHILLS REGIONAL SOLID WASTE MANAGEMENT DISTRICT  
Poplar Bluff, Missouri

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.

**Function:**

The Ozark Foothills Regional Solid Waste Management District was established in the autumn of 1991. It was the first such Solid Waste Management District created in the State of Missouri and was initiated to respond to the state goal established in Senate Bill 530 of reducing Missouri's waste stream by 40% by the year 1998. It was to accomplish this objective through a variety of programs designed to recover and recycle the resources then viewed as garbage by the people of the region.

**Service Area:**

Five counties are included in the Ozark Foothills Regional Solid Waste Management District. These include Butler, Carter, Reynolds, Ripley, and Wayne Counties in the southeast portion of the state. Also members of the District's original council are the cities of Doniphan, Ellington, Naylor, Piedmont, Poplar Bluff, and Van Buren. It was determined that the District's programs would serve all incorporated cities within the five counties. At that time the following additional cities were included within the region's recycling efforts: Bunker, Centerville, Ellsinore, Fisk, Grandin, Greenville, Mill Spring, Neelyville, Qulin, and Williamsville.

**Organization:**

The organizational structure originally proposed for the District was that which was suggested in the Missouri Statutes governing such organizations. Allowing each county participant in the District to appoint two members, and each city with a population of 500 or over, to select one representative, formed a council. From this council was drawn a seven member Executive Board consisting of a chairman elected at large, one representative from each of the five counties, and one representative from the City of Poplar Bluff.

The District in 1998 adopted an alternative management structure. (Resolutions were adopted by each of the Counties on or before October 31, 1998, approving the utilization of the "Alternative Management Structure" cited as being allowed by Section 260.300.3 of the Revised Statutes of Missouri. The

resolutions further approved that the Ozark Foothills Regional Planning Commission (RPC) Board of Directors serve as the District Council and its Advisory Committee, that the RPC Executive Committee serve as the District Executive Board, and that District's bylaws, procedures, and staff "shall be the same as those of the" RPC. In effect, the RPC's governing body, staff, bylaws and procedures must conform to Solid Waste Management District requirements.) As such, the existing Ozark Foothills Regional Planning Commission Board of Directors began serving as the Ozark Foothills Solid Waste Management District Council and its Advisory Committee, and the Executive Committee of the Ozark Foothills Regional Planning Commission serves as the Executive Board governing the Ozark Foothills Solid Waste Management District.

According to the records of the District, as of June 30, 2006 the Region Q Ozark Foothills Regional Solid Waste Management District Council consisted of the following members:

NAME	COUNTY/CITY	APPOINTED
John Bailiff	Carter/Van Buren	04/15/02
Donald Barnes	Reynolds/County Gov	01/01/02
George Beckenbach	Wayne/Mill Spring	04/10/91
David Burnett	Reynolds/Bunker	04/04/00
Margaret Carter	Butler/Finance	12/12/01
Denny Caruso	Reynolds/Centerville	04/03/01
Don Combs*	Ripley/Finance	01/01/89
Gary Copeland	Wayne/Education	01/01/99
Edward Coursey*	Butler/Minority	01/01/99
Mildred Coursey*	Butler/Minority	01/01/89
Darrell Dement*	Reynolds/Business	01/01/89
Jim Dunn	Butler/Social Agency	01/01/96
Clifford Smith	Wayne/Williamsville	02/27/91
Wayne Gibbs	Carter/Agriculture	12/12/00
Mike Grassett	Carter/Solid Waste	01/01/99
James Grassham*	Carter	01/01/91
Joe Humphrey	Butler/County Gov	01/01/99
Paul Johnson	Reynolds/Agriculture	01/01/96
William Kennon*	Ripley/Professions	01/01/96
Joe Knodell	Butler/Education	12/13/93
Betty Absheer	Butler/Poplar Bluff	03/01/04
Laura Melton	Carter/Grandin	04/04/04
Chris Miller	Ripley/Attorney	04/10/86
Donald Morrison	Wayne/Business	01/01/99
Lynn Murdick	Carter/County Gov	01/01/99
Brian Polk*	Wayne/County Gov	01/01/99
Carroll Rainwater	Wayne/Greenville	04/10/85
Max Patterson	Butler/Fisk	04/02/99

Diane Silman	Ripley/Social Agencies	12/11/01
James Vaughn	Butler/Qulin	04/04/00
Ron Wakefield	Reynolds/Ellington	04/04/04
Gaylon Watson	Wayne/Piedmont	04/08/93
Kevin Owen	Ripley/Naylor	04/04/04
Larry Woods	Butler/Neelyville	09/09/03

Members of the Executive Board are depicted by an asterisk (\*) above. By-laws, revised January 1999 set membership terms on the Council as four years. The District did not provide any records indicating the terms of the Council or Board members, only appointed dates noted above.

**Programs:**

The District began its operation by applying for grants in the year 1992 that yielded support for major recycling efforts during the year 1993. During the years 1993-94, region-wide white goods and drop-off programs were created. These were followed, in 1994-95, by the purchase and rehabilitation of a materials recovery facility for the district. The Solid Waste Management District began a curbside recycling program during 1995-96. An addition to the materials recovery facility was undertaken in 1996-97. Following the completion of the addition, an institutional generators program serving such organizations as hospitals, schools, newspapers, etc. was begun in 1997-98. Beginning in 1998-99, the District began its own transportation project to move the recyclables which it has collected and processed. In the following years, the district continued to expand its services throughout the five county region by adding additional collection vehicles, trailers and equipment. The District has developed an effective recycling program, however, by designating all grant monies to the recycling center the District may be limiting other solid waste developments.

**Personnel:**

The Ozark Foothills RPC Board of Directors provides governance and its staff performs administrative and operational tasks for the Ozark Foothills Regional Solid Waste Management District program along with other Federal, State and locally funded programs. As such, RPC bylaws, meeting minutes, resolutions and other official documents when applicable, reflects Ozark Foothills Regional Solid Waste Management District activity. The RPC provides the services of a material recovery facility coordinator, equipment technicians, equipment technicians/driver, driver, administrative assistant, a financial officer/accountant, and a secretary.

A review of meeting minutes revealed that quarterly "joint" meetings were held to discuss issues involving the RPC, Development Association, Transportation Advisory Committee, Solid Waste Management District, and Ripley County Public Housing Authority. Attendance records indicated that nine to fifteen commission members, fifteen to eighteen staff, and fifteen to twenty guests generally attended meetings. Most, if not all, minutes contained a discussion and approval when necessary of District activities.

REGION Q OZARK FOOTHILLS REGIONAL SOLID WASTE MANAGEMENT DISTRICT  
Poplar Bluff, Missouri

Current Findings

**1. Audit Finding - Failure to Adopt Required Policies**

CONDITION - The District has not adopted certain required policies nor any procedures to implement the required policies:

**a. Failure to adopt policies on Council and Executive Board membership:** The District has not adopted written policies and procedures for monitoring the qualifications, terms and vacancies.

**b. Failure to adopt policies on conflict of interest:** The District has not adopted written conflict of interest policies and procedures for the selection, approval and oversight of subgrantees. While the District is in compliance with grant award requirements and appears to be achieving DNR solid waste objectives in Region Q, the subgrant is consistently awarded totally to the Recycling Center ran by the District.

CRITERIA – *RSMo. Sections 260.300.3 and 260.315* allow the District to formulate an alternative management structure. To ensure that there is an effective management structure to conduct the District's responsibilities, written policies and procedures for monitoring the qualifications, terms, and vacancies should be adopted.

DNR General Terms and Conditions for grant funds (I.Q.) and *RSMo. Section 260.320.5*, require the District to ensure that there are no conflicts of interest.

EFFECT – The District is not in compliance with state laws and regulations. Failure to monitor Council and Executive Board membership may result in invalid or nonparticipating members. There may be an appearance of a conflict of interest since the District is involved with the approval and administration of the Solid Waste Grants, which have been awarded to the District to operate the Recycling Center. The lack of other applicants for the District's Solid Waste Grants may be caused by this appearance of a conflict of interest.

CAUSE – The District failed to adopt policies and procedures.

RECOMMENDATION – The District should adopt and implement policies and procedures to ensure compliance with all applicable governing statutes and regulations. The District Director, Executive Board and administrative staff should make every effort to encourage participation of outside entities in performing grant programs activities. All evidence of either the scarcity of outside entity capacity or the District's positive or negative evaluation of responses to request for proposals should be well documented and the District's ultimate decision justified to allay any appearance of a conflict of interest.

REPLY - Agree with finding. Will respond more fully when audit report is issued.

## **2. Audit Finding - Incomplete Minutes for Both Council and Executive Board Meetings**

CONDITION – The District has not met the following minutes and meeting requirements:

**a. Executive Board and Council minutes were not signed or only had one signature** appearing on 12% of the minutes reviewed. The prior audit Finding No. 2 also noted that minutes were not signed.

**b. Failure to adopt policy consistent with Sunshine Law:** The District has not adopted a written policy regarding the release of information on any meeting, record or vote, nor did there appear to be efforts made to publicize the date, time and place of open executive board meetings to the public.

CRITERIA – *RSMo. 610.020* requires that governmental units have complete and accurate records of their proceedings. The minutes should be signed by the Chairman and the Secretary to attest to the accuracy of the minutes.

*RSMo. Section 610.028.2* requires the District provide a reasonable written policy to comply with the Sunshine statutes. *RSMo Section 610.020* requires notice of the time, date and place of each meeting.

EFFECT – The records of the District are not complete. Action taken during the meetings may not have effect. Also, the District is not in compliance with state laws and regulations.

CAUSE – The District management was not aware of the deficiencies.

RECOMMENDATION –

a. Minutes of all meetings should be signed by the Chairman and Secretary.

b. The District should adopt and implement policies and procedures to ensure compliance with the Sunshine Law statutes.

REPLY – Will comply. Will respond more fully when audit report is issued.

## **3. Audit Finding - Inappropriate Recording of Equipment**

CONDITION - The District has no written policy that is used to account for and report equipment and other capital assets. For example, the “purchase” of a paper-bailing machine originally costing more than \$40,000 was not booked as a capital asset, instead total principal and interest payments were expensed monthly as paid. The prior audit Finding No. 8 noted incomplete inventory records.

CRITERIA – DNR General Terms and Conditions for grant funds I.H. requires inventory records of grant funded equipment be maintained showing cost, date of acquisition, location and condition among other information. General Terms and Conditions I.H.1 defines equipment as an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost \$5,000 and greater.

EFFECT – A major equipment purchase was omitted from inventory records.

CAUSE – Inappropriate accounting method.

RECOMMENDATION – The District should include the paper-bailing machine at its total acquisition cost in the inventory records and incorporate the General Terms and Conditions requirements in its equipment policy.

REPLY – Will include paper-bailing machine in inventory records. Will respond more fully when audit report is issued.

**4. Audit Finding - Failure to Maintain Accounting Records as Required in Section 10 CSR 80-9.050(4)(B)**

CONDITION - Direct program costs and expenses are not charged to the applicable program at the time incurred, and there appears to be no established procedure for allocating joint costs and expenses to appropriate programs. When grant funds are received from DNR, the funds are deposited into the District Solid Waste bank account. However payroll, administrative and other expenses are paid through the Ozark Foothills Regional Planning Commission (RPC) Administrative account and periodically reimbursed from the District Solid Waste bank account without a formal invoice system to account for all appropriate direct and shared expenses. Employees accomplishing solid waste direct tasks are paid through the RPC payroll using RPC Administrative account payroll checks. There was no evidence that a systematic method was used to transfer funds from the District Solid Waste account to the RPC Administrative account, except as "monies are needed to replenish operating account shortage" as indicated by the RPC staff accountant. Prior audit Findings No. 4 and No. 10 noted similar conditions.

CRITERIA – 10 CSR 80-9.050(4)(B) requires an accounting system 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.

EFFECT – Accounting records and reimbursements are not in compliance with state regulation.

CAUSE – Inappropriate accounting and allocation methods.

RECOMMENDATION – Account number should identify program wages, program vehicle costs and other traceable costs and expenses when incurred. All reimbursable costs should be invoiced to provide clear reference to the project. All district financial activity must be clearly identifiable as district activity and must not be commingled with other entities' activities.

REPLY – Will respond to this when audit report is issued.

**5. Audit Finding - Failure to Adopt and Implement Adequate Accounting Control Systems**

CONDITION - The District accounting and internal control systems are not sufficient to meet all objectives of safeguarding assets:

**a. The District did not use pre-numbered checks for two of the three Solid Waste checking accounts.** The Solid Waste District Grant and Administrative checking accounts both used counter or starter checks for disbursements. This issue was noted in the prior audit Finding No. 11.

**b. The processing of cash receipts, both in the form of currency and check continue to be inadequate.** Completed pre-numbered cash receipts slips are not issued when currency is received. Check payments received by mail are recorded in a cash receipts register by clerical staff, then delivered to the accountant for depositing and recording same in general ledger which does not provide for the prescribed separation of duties. The prior audit Finding No. 9 included weaknesses in the cash receipts area.

**c. The accountant also serves as the petty cash custodian.** While petty cash processing procedures appear to be adequate, accounting control requirements are violated when the same person disburses, receives and accounts for petty cash fund activities.

**d. The District is not preparing formal bank reconciliations monthly.** Outstanding checks, interest income and other bank charges are traced from bank statements to the check register, but not monthly (e.g. 3-4 months interest may be posted to the check register at the same time). No documentation was found that the District reconciles its cash balance to the Quarterly Project Financial Summary submitted to the DNR. Additionally, the District's June 30, 2006 cash year-end balances do not reconcile to cash balances reported to the DNR on the June 30, 2006 Project Financial Summary Report. See Appendix II.

**There is no action taken to completely reconcile the ending bank balances per statement with the appropriate general ledger accounts.** While some, if not all bank statements are reviewed to ascertain "paid checks" and cleared deposits, the payroll check test indicates check-issuing errors are not discovered nor corrected timely.

**e. Current financial statements were not available for the District.** Solid Waste Management assets, liabilities and fund balance were combined in the Ozark Foothills Regional Planning Commission Balance Sheet as of April 30, 2006.

**CRITERIA** – The General Terms and Conditions, I. E. requires the District to maintain accounting systems adequate to safeguard assets.

**EFFECT** – It is more cumbersome to determine if all monies due to the District have been properly accounted for and assets safeguarded.

**CAUSE** – Deficiencies in the District's accounting system.

**RECOMMENDATION** – The District should maintain adequate accounting and internal control systems that are sufficient to meet all objectives of safeguarding assets and includes appropriate check, petty cash, receipt, and reconciliation procedures as follows:

a. Use prenumbered checks with identification of the solid waste district as the account owner for all checking accounts.

b. Issue prenumbered receipt slips for all monies received, except for electronic transfers. Compare the listing of mail receipts to the deposit slips by an independent person having no access to cash. Segregate the duties of depositing monies and recording financial transactions in the general ledger.

c. Segregate the duties of petty cash custodian from other cash duties and maintaining accounting records. Petty cash transactions should be periodically reviewed by an independent responsible person.

- d. Bank accounts should be reconciled monthly and documented. The bank balances should be reconciled to the checkbook balance, the general ledger, and the DNR Quarterly Project Financial Summary Report. The bank reconciliations should be reviewed by an independent responsible official.
- e. The District issue separate financial statements that includes only District assets, liabilities and fund balance.

REPLY – Will respond to this when audit report is issued.

#### **6. Audit Finding - Failure to Print Recycled Symbol on Printed Materials**

CONDITION - Printed materials prepared by the district were not printed on recycled paper and did not display the recycled paper symbol on at least one page. This issue was noted in the prior audit Finding No. 12.

CRITERIA – The General Terms and Conditions, I.U., requires the use of recycled paper and the printing of the recycled symbol on at least one page of printed material.

EFFECT – The District did not comply with certain provisions of the General Terms and Conditions.

CAUSE – The District purchased the most economical paper.

RECOMMENDATION – Ensure that recycled paper is used for all documents and the recycle symbol is printed on at least one page of all materials.

REPLY – Agree with finding. Will respond more fully when audit report is issued.

REGION Q OZARK FOOTHILLS REGIONAL SOLID WASTE MANAGEMENT DISTRICT  
Poplar Bluff, Missouri

Prior Findings

The following Findings were developed from a prior review of the Region Q Ozark Foothills Regional Solid Waste Management District. The review was performed by an audit firm contracted by the Department of Natural Resources for the period July 1, 1991 through June 30, 1997. Of the 17 prior findings, 10 were fully implemented by the District and 7 were not implemented or partially implemented.

**1. Audit Finding - Inappropriate Composition and Operation of the District Council**

No evidence exists in the records of the District for the appointment of the members of the District Council. The District Council has not met on a regular basis and has not had a statutory majority at a meeting since Aug. 26, 1991. No records have been kept of the terms of the District Council members. The Executive Board has met only once with a quorum on Oct. 14, 1991 and did not meet subsequently.

**Current Audit Follow-up:** The District formed an alternative management structure in accordance with *RSMo. 260.300.3*. A review of Executive Board and Council minutes documents that exceptions were resolved.

**2. Audit Finding - Incomplete Minutes for Both Council and Executive Board Meetings**

Executive Board and Council minutes were not signed and did not include copies of resolutions or other matters discussed. They did not include evidence of the appointment of the members of the council and the board. Meetings were held and actions taken without the presence of a quorum.

**Current Audit Follow-up:** Audit test indicates 12% of the minutes had one or no signature appearing on reviewed documents. See Current Findings No. 2.

**3. Audit Finding - Bylaws in Violation of Statutes**

Article V – Membership Eligibility of the bylaws adopted by the district is in violation of statutes. The bylaws attempt to modify the statutory powers of the council and this article, as adopted, attempts to give the council the power to deny membership in the Region Q Solid Waste Management District to political subdivisions, not part of the original agreement, which might vote to join the District.

**Current Audit Follow-up:** No current exceptions were noted. Bylaws were amended to include as members all counties within the region and cities within the region with populations of 500 or more. See History and Organization.

#### **4. Audit Finding - Failure to Contract for Management Services**

The District adopted a bylaw, which indicated that the Ozark Foothills Regional Planning Commission (RPC) would be its management agent. No agreement with the RPC was reached and a contract was not signed. The bylaw does not mention reimbursing the RPC for expenses incurred in performing services for the district. The District did, in fact, turn over funds to the RPC as reimbursement for expenses. The funds used for this payment were the District's Administrative Grant funds received from the state which amount to \$170,000 over the years from 1992-1997.

**Current Audit Follow-up:** A contract for professional services between the District and the RPC was on file. Also see Current Finding No. 4.

#### **5. Audit Finding - Purchase of Land with State Grant Funds**

Project Grant 94003 was a Materials Recovery Facility (MRF) building purchase. The facility, which was valued at \$100,000, was purchased from Ozark Foothills Economic Development Association (OFEDA) in April of 1995, \$80,000 with Project Grant funds and \$20,000 was donated by OFEDA. The \$20,000 was listed on the grant proposal as matching funds. OFEDA had purchased the building and land for \$85,000 in Nov. 1993.

**Current Audit Follow-up:** No current exceptions noted. According to DNR's Final Resolution: The district provided partial match documentation on Feb. 16, 1999. The remaining amount was reimbursed to the program on Oct. 7, 1999.

#### **6. Audit Finding - Failure to Adopt Required Policies**

The District has not adopted the following required policies nor any procedures to implement the required policies: non-discrimination policy, environmental standards policy, procurement policy, a policy to ensure District and subrecipient compliance with DNR General Terms and Conditions, a policy prohibiting the signing of checks in advance or drawing checks to cash, and a policy on conflicts of interest in the Council, Executive Board and subrecipients.

**Current Audit Follow-up:** The District adopted policies for: non-discrimination, environmental standards, procurement, GT&C, check signing and conflicts of interest at its April 26, 1999 Executive Board meeting to correct the finding. The District appears to be in compliance with adopted polices except as noted in Current Findings:

Current Finding No. 1 – Conflicts of Interest.

Current Finding No. 3 – Procurement

Current Finding No. 6 - Environmental

## **7. Audit Finding - Inadequate Bonding Insurance**

The District has not provided bonding insurance for one of the two check signers or for any of the personnel who have access to the district equipment.

**Current Audit Follow-up:** No current exceptions noted. DNR's Internal Audit approved the policy on April 30, 1999.

## **8. Audit Finding - Inappropriate Handling of State Funded Equipment**

Title to grant funded equipment has been vested in the RPC. It is not clear from the District's records which equipment is owned by the district and which equipment, if any, is owned by the RPC. Inventory records maintained by the district show the equipment as owned by the District but the inventory records are incomplete, in that no costs, dates of acquisition, location, or condition were noted for most of the assets listed.

**Current Audit Follow-up:** The District provided copies of an asset list from the District's general inventory which reflects all DNR funded equipment including the required information (quantity, description, source, ID number, owner, purchase date, cost per unit, SWMP project number, location, use, condition and life estimate), however the following exception was noted:

**Inappropriate recording of equipment:** The District has no written policy that is used to account for and report equipment and other capital assets. For example, the "purchase" of a paper-bailing machine originally costing more than \$40,000 was not booked as a capital asset, instead total principal and interest payments were expensed monthly as paid. See Current Findings No. 3.

## **9. Audit Finding - Failure to Comply with Procedures for Receipts**

The District, through the Ozark Foothills RPC, adopted procedures to handle funds received from the sale of recyclable materials. These procedures include issuing Bills of Lading for materials leaving the facility. This procedure was not followed on all sales. In addition, the procedures adopted are not sufficient to fully control sales revenues.

**Current Audit Follow-up:** Although no exception was noted when reviewing Bills of Ladings, the processing of cash receipts, both in the form of currency and check continue to be inadequate. Completed pre-numbered cash receipt slips are not issued when currency is received. See Current Findings No. 5.

## **10. Audit Finding - Failure to Maintain Accounting Records on the Basis of Generally Accepted Accounting Principles**

The District's accounting records are maintained on the cash basis. The district has made no efforts to determine the method of accounting for subrecipients.

**Current Audit Follow-up:** As noted in no.8 above, compliance with GAAP remains a problem. Also see exception below:

**Records are not maintained on the basis of Generally Accepted Accounting Principles:** Direct program costs and expenses are not charged to the applicable program at the time incurred, and there appears to be no established procedure for allocating joint costs and expenses to appropriate programs. Account number should identify program wages, program vehicle costs and other traceable costs and expenses when incurred, or when disbursed. See Current Findings No. 4.

#### **11. Audit Finding - Failure to Adopt and Implement Adequate Accounting Control Systems**

The District accounting and internal control systems are not sufficient to meet the objectives of safeguarding assets. The district has not maintained grant ledgers, does not issue receipts, uses unnumbered checks for disbursements, and deposited sales revenues directly into the account of the Ozark Foothills RPC.

**Current Audit Follow-up:** Exceptions were noted. See Current Finding No. 5.

#### **12. Audit Finding - Failure to Print Recycled Symbol on Printed Materials**

Printed materials prepared by the District were not printed on recycled paper and did not display the recycled paper symbol on at least one page.

**Current Audit Follow-up:** The exception is still outstanding. See Current Findings No. 6.

#### **13. Audit Finding - Failure to Provide Funding Notice of Public Documents**

Press releases and other public notifications prepared by the District did not show the DNR as a funding source and did not display the department's logo.

**Current Audit Follow-up:** No current exceptions noted.

#### **14. Audit Finding - Failure to Provide Financial Information in Proposals**

Proposals received by the district did not disclose the required financial information for subrecipients.

**Current Audit Follow-up:** No current exceptions were noted when reviewing proposal documents. The District has had only one subrecipient since first applying for grant funding, which has been the RPC.

#### **15. Audit Finding - Failure to Publish Required Notices Requesting Proposals**

Notices requesting proposals for grant applications were published in only one newspaper. The District was not aware if the newspaper chosen was the newspaper designated for legal notice in the other four counties or in the cities participating in the district.

**Current Audit Follow-up:** No current exceptions noted. Newspaper notices covering all counties and cities with a population of 500 or more were adequately documented in files.

**16. Audit Finding - Failure to Comply with Disadvantaged Business Enterprise Requirements**

The District did not prepare and submit Form 334, MBE/WBE Utilization Report. The auditor found no evidence that the district had made any positive effort to make contract opportunities available to Disadvantaged Business Enterprises or to Women Owned Business Enterprises.

**Current Audit Follow-up:** The District adopted an Affirmative Action Plan to comply with federal employment laws. The plan includes: an equal employment opportunity policy statement, a commission minority representation policy, and a staff recruitment policy. However documentation was not provided for compliance with disadvantaged business enterprise requirements.

**17. Audit Finding - Failure to Obtain Flood Insurance**

The building purchased with Project Grant 94003 – MRF Building Purchase is situated in a flood plain according to the certified appraisal. The district did not obtain flood insurance on this property.

**Current Audit Follow-up:** The District has a National Flood Insurance Elevation Certificate documenting the MRF Building was surveyed as approximately one and one half feet above the requirement.

REGION Q OZARK Foothills REGIONAL SOLID WASTE MANAGEMENT DISTRICT  
 SCHEDULE OF STATE FUNDING  
 YEARS ENDED JUNE 30, 2006 AND JUNE 30, 2005

## Year Ended June 30, 2006

<u>Received</u>	<u>Total Amount</u>	<u>Grant No.</u>	<u>Amount</u>	<u>Purpose</u>
March 2006	\$ 36, 322.46	2006-1	\$ 36,322.46	Recycling collection system

Total	\$ 36,322.46			
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## Year Ended June 30, 2005

<u>Received</u>	<u>Total Amount</u>	<u>Grant No.</u>	<u>Amount</u>	<u>Purpose</u>
June 2005	\$160,163.00	2005-1	\$160,163.00	Recycling collection system

Total	\$160,163.00			
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REGION Q OZARK FOOTHILLS REGIONAL SOLID WASTE MANAGEMENT DISTRICT  
COMPOSITION OF CASH AND INVESTMENTS BALANCE  
JUNE 30, 2006

<u>Sources</u>	<u>Description</u>	<u>Obligated</u>	<u>Unobligated</u>
Program	Interest from Bank Account	\$ 42.89	\$ 0.00
Program	Collected Receipts	1,309.10	0.00
<b>Total Program</b>		<u>\$ 1,351.99</u>	<u>\$ 0.00</u>
<u>Grant No.</u>	<u>Purpose</u>		
2006-1	Recycling Collection System	8,274.00	0.00
2006-1	Interest from Bank Account	30.45	0.00
<b>Total Grant</b>		<u>8,304.45</u>	<u>\$ 0.00</u>
<b>Total All Sources Cash and Investments (1)(2)</b>		<u><u>9,656.44</u></u>	<u><u>\$ 0.00</u></u>

(1) All Cash and Investments are obligated to the Recycling (Center) Collection System.

(2) The amount shown on the June 30, 2006 Quarterly Project Financial Summary Report is: \$14,811,62.

