

**Final Audit Finding Resolution**  
**Region D - Recycling & Waste Management District**  
April 1, 2005 - March 31, 2007

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

*Auditor Recommendation:*

We recommend that the District be required to implement procedures to ensure that the District is in compliance with state regulations pertaining to the timely filing of UCC Financing Statements.

*District Response:*

The District stated, "We now understand the bar code is not a confirmation of filing, we will look for an acceptance stamp on all UCC filings and will not disburse funds until this is completed."

*SWMP Response:*

We concur with the auditor's recommendation.

*SWMP Recommendations:*

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

- a. The District should review their current written policy and related procedures for filing of UCC Financing Statements and determine the need for modifications to ensure accurate and timely filing with the Secretary of State; and
- b. Modifications to District policies should be in writing and approved by the Council or Executive Board and documented within the District's signed meeting minutes with copies provided to the SWMP.

*District Resolution Actions:*

The District provided as their response a Region D Recycling and Waste Management District Policy and Procedures Manual. (The District's Policy and Procedures Manual has been included as Attachment A.) Equipment, page 5, provides "For purchases of equipment \$5,000 or more a security agreement is filed listing the interest between the subgrantee and the District. An UCC-1 form is filed with the Secretary of State on equipment without a title. The subgrantee will pay the appropriate filing fee. Titled equipment purchases of \$5,000 or more will list Region D as the lien holder. Reimbursements will not be made without a confirmation file number from the Secretary of State's Office or a copy of the title listing Region D as the lien holder." Additionally, the District provided a copy of the Region D Recycling and Waste Management District Council Meeting Minutes of March 13, 2008 showing formal adoption by the board of the District's Policy and Procedures Manual.

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*SWMP Response: (Finding Resolved)*

With submittal of this information, the SWMP considers Finding 1 resolved.

**2. 15% Withheld (Retainage)**

*Auditor Recommendation:*

We recommend that the District implement procedures to ensure that the District retains 15% of sub-grant funds until board approval of the final report and accounting of project expenditures as well as the project end date per the FAA.

*District Response:*

The District stated, "The process has been revised and the FAA now states 15% will be withheld the entire project period."

*SWMP Response:*

We concur with the auditor's recommendation.

*SWMP Recommendations:*

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

- a. The District should review and ensure the current written policy and related procedures ensure withholding of the 15% retention amount to reduce to a minimum the likelihood of recurrence of this finding; and
- b. Modifications to the District's policies to bring the District into compliance should be in writing and approved by the Executive Board and documented within the District's signed meeting minutes with copies provided to the SWMP.

(Note: The amended 10 CSR 80-9.050 effective on 10/30/07 states "For reimbursements or direct payments, the District may release the fifteen percent (15%) retainage prior to completion of the grant project with prior approval of the Executive Board and the department." If the District elects to implement a procedure to allow for release of the retainage prior to the filing of the final report and accounting, such procedure should be in writing and approved by the Executive Board and documented within the District's signed meeting minutes. A copy of the modified procedure and minutes should be provided to the SWMP.)

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*District Resolution Actions:*

The District's Quarterly Reports Procedure on page 4 of the District's Policy and Procedures Manual now provides "6. 15% of the grant funds for reimbursements or direct payments may be released prior to the completion of the grant project period with Council approval. 15% award retention will be implemented on all approved grant awards, unless Council sees necessary to allow full award to be made prior to the project end." The District provided a copy of the Region D Recycling and Waste Management District Council Meeting Minutes of March 13, 2008 showing formal adoption by the board of the District's Policy and Procedures Manual including this procedure. (See Attachment A.) Additionally, the District provided a copy of the Region D Recycling and Waste Management District Council Meeting Minutes of March 13, 2008 showing formal adoption by the board of the District's Policy and Procedures Manual.

*SWMP Response:*

The procedure could be further clarified by providing as follows: "15% award retention will be implemented on all approved grant awards, unless the Council sees necessary to allow full award to be made prior to the project end. Council approval for early release of the 15% retention shall be documented in the official meeting minutes of the Council. For reimbursements or direct payments, the District may release the 15% prior to completion of the grant project with prior approval of the Council and the MDNR as set forth in state regulations (Solid Waste Management Fund -- District Grants, 10 CSR 80-9.050(7)(D))." The District should amend their policy to clearly disclose this requirement and provide a copy of such amendment to the SWMP to allow for resolution of Finding 2.

*District Response received 07-22-08:*

The District's Quarterly Reports Procedure on page 4 of the District's Policy and Procedures Manual now provides "6. 15% award retention will be implemented on all approved grant awards, unless Council sees necessary to allow full award to be made prior to the project end. Council approval for early release of the 15% retention shall be documented in the official meeting minutes of the Council. For reimbursements or direct payments, the District may release the 15% prior to completion of the grant project with prior approval of the Council and the MDNR as set forth in state regulations (Solid Waste Management Fund -- District Grants, 10 CSR 80-9.050(7)(D))." Additionally, the District provided a copy of the Region D Recycling and Waste Management District Council Meeting Minutes of July 10, 2008 showing formal adoption by the board of the amendments to the District's Policy and Procedures Manual.

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*SWMP Response: (Finding Resolved)*

With submittal of this additional information, the SWMP considers Finding 2 resolved.

**3. Public Notification of Bids**

*Auditor Recommendation:*

We recommend the District and all subgrantees place public notice to bid for any purchase that is budgeted to exceed \$25,000.

*District Response:*

The District stated, "We will double check budget amounts and require public bid notification of all items over \$25,000.

*SWMP Response:*

We concur with the auditor's recommendation.

*SWMP Recommendations:*

The SWMP recommends the District take the following actions to resolve Finding #3:

- a. The Executive Board should modify the District's procurement policies and related procedures to address the need for compliance with state procurement requirements. Specifically, the procedures must include adequately documenting bids including sole source justification and retention of procurement records;
- b. We recommend development of a District procurement form for ease in recording bids and for record retention purposes. Additionally, the District is required to pass these same requirements down to their subgrantees. To ensure compliance, the District should request submission of the sub-grant applicant's procurement policies as part of the grant application process;
- c. District staff as part of their on-site visits to subgrantees should review completed procurement files for goods and services purchased by the subgrantee to verify their compliance with the submitted procurement policy; and
- d. Modifications made to the District's policies should be in writing and approved by the Executive Board and documented within the District's signed meeting minutes with copies provided to the SWMP.

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*District Resolution Actions:*

The District's Bids Procedure on page 6 of the District's Policy and Procedures Manual now provides "Notification of request for bids will be in accordance with state regulations. Subgrantees must comply with bid specifications in accordance with state regulations. Documenting bids including sole source justification and retention of procurement records will be requirement for grant applications. A form will be provided as part of the grant application to record bids. Applicant's bidding procurement policies are required information for grant applications. A form provided in the grant application packet will verify applicant's bidding procurement policy is included with the application.

Return bids for District services will be presented to the full council for selection of award. Bidders shall be invited to attend the scheduled Council meeting for award selection. The bidder should be prepared to answer questions, regarding their bid. Bid selection will be chosen in accordance with state regulations. Low bid does not necessarily mean winning bid. The Council shall have the right to reject any or all bids and advertise for new bids." Additionally, the District provided a copy of the Region D Recycling and Waste Management District Council Meeting Minutes of March 13, 2008 showing formal adoption by the board of the District's Policy and Procedures Manual.

*SWMP Response:*

The procedure could be further clarified by providing information related to record retention requirements, such as follows: "Procurement records of the District including those of subgrantees shall be retained for a period of three years starting from the date of submission of the final quarterly financial summary report for such project, as set forth in state regulations (Solid Waste Management Fund -- District Grants, 10 CSR 80-9.050(7)(E)1). Authorized representatives of the District, the MDNR, and the State Auditor's Office shall have access to any pertinent records to make audits or examinations. The District and subgrantee further understands by accepting these public monies they further agree to permit monitoring by the MDNR and/or its authorized representatives." Additionally, the District should amend their policy to clearly disclose these requirements and provide a copy of such amendment along with a copy of the District's procurement form mentioned in the Bids Procedure to the SWMP to allow for resolution of Finding 3.

*District Response received 07-22-08:*

The District amended the Bids Section of the Policy and Procedures Manual to include the language suggested above and provided a copy of the District's Bid Reporting Form.

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*SWMP Response: (Finding Resolved)*

With submittal of this additional information, the SWMP considers Finding 3 resolved.

**4. Proof of Clear Title**

*Auditor Recommendation:*

We recommend the District require proof of the District's security interest in items that are required to be titled in the State of Missouri and funded by the District. Related documentation should be maintained.

*District Response:*

The District stated, "We will require a copy of a title showing the District as a lien holder."

*SWMP Response:*

We concur with the auditor's recommendation.

*SWMP Recommendations:*

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

- a. The District should review their current written policy and related procedures for timely filing of UCC Financing Statements, as noted in Finding #1 above, require subgrantees provide the District a clear title to be held until the District's security interest has been fully depreciated, or in the case of equipment with multiple lien holders that the District is listed as a lien holder on the title, and determine the need for any modifications to ensure compliance with the MDNR's General Terms and Conditions; and
- b. Modifications to District policies should be in writing and approved by the Executive Board and documented within the District's signed meeting minutes with copies provided to the SWMP.

*District Resolution Actions:*

As detailed in Finding 1 above, the Council adopted an Equipment Procedure. Equipment as detailed on page 5 of the manual provides, in part "Titled equipment purchases of \$5,000 or more will list Region D as the lien holder. Reimbursements will not be made without a confirmation file number from the Secretary of State's Office or a copy of the title listing Region D as the lien holder." Additionally, the District provided a

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copy of the Region D Recycling and Waste Management District Council Meeting Minutes of March 13, 2008 showing formal adoption by the board of the District's Policy and Procedures Manual.

*SWMP Response: (Finding Resolved)*

With submittal of this information, the SWMP considers Finding 4 resolved.

**5. Annual Equipment Use Statements from Subgrantees**

*Auditor Recommendation:*

We recommend that the District require a written annual statement from subgrantees stating that equipment, buildings, and site improvements purchased with District funds are used solely for the intended purpose.

*District Response:*

The District stated, "We have created a form to verify this information and will use it in the future."

*SWMP Response:*

We concur with the auditor's recommendation.

*SWMP Recommendations:*

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

- a. The District will establish a written policy and related procedure to obtain an annual use statement from sub-grantees for equipment purchased, in whole or in part, with SWMF monies;
- b. The District should provide to SWMP a copy of the FY2008 use statements provided by subgrantees as verification of the District's compliance with this requirement; and
- c. Modifications or the addition of District policies should be in writing and approved by the Executive Board and documented within the District's signed meeting minutes with a copy provided to the SWMP.

*District Resolution Actions:*

The District's Equipment Inventory Procedure on page 6 of the District's Policy and Procedures Manual now provides "Subgrantees will be required annually to provide the District with a Certificate of Use Statement. District Staff will send the Certificate of Use

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Statement to each applicable subgrantee.” Additionally, the District provided a copy of the Equipment Use Verification Form and of the Region D Recycling and Waste Management District Council Meeting Minutes of March 13, 2008 showing formal adoption by the board of the District’s Policy and Procedures Manual.

*SWMP Response:*

With submittal of copies of the FY2008 use statements by the District as set forth in SWMP Recommendation b. above, the SWMP will consider Finding 5 resolved. Please note, the Council may wish to consider strengthening their procedure by annually requiring the District Coordinator to provide a compliance report to the Council on those subgrantees failing to provide the required Certificate of Use Statement. This information could then be included in the Council’s official meeting minutes along with subsequent direction provided by the Council on actions to be taken by the District Coordinator with those subgrantees failing to comply.

*District Response received 07-22-08:*

The District’s Equipment Inventory Procedure on page 6 of the District’s Policy and Procedures Manual now provides “District Staff will conduct an on site equipment inventory every two years to track all equipment purchased with district grant funds. Subgrantees will be required annually to provide the district with a Certificate of Use Statement. District Staff will send the Certificate of Use Statement to each applicable sub-grantee. During on-site visits the District Staff will require sub-grantees to provide procurement files for goods and services purchased with grant funds to verify their compliance with the procurement policy. Any subgrantee failing to comply to complete the required Certificate of Use Statement will be reported to the Council by District Staff. The report of non-compliance will be recorded in the Council meeting minutes. The Council will provide actions to be taken by the District Staff for subgrantees failing to comply. The actions as provided by the Council will be recorded in the meeting minutes.” Additionally, the District provided copies of the current Certificate of Use Forms and of the Region D Recycling and Waste Management District Council Meeting Minutes of July 10, 2008 showing formal adoption by the board of the amendments to the District’s Policy and Procedures Manual.

*SWMP Response: (Finding Resolved)*

With submittal of this additional information, the SWMP considers Finding 5 resolved.

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**6. Reporting to DNR**

*Auditor Recommendation:*

We recommend that the District implement procedures to ensure that quarterly reports are submitted throughout the entire project period as stated in the FAA and the final report is submitted within 30 days of the project end date stated on the FAA.

*District Response:*

The District stated, "This condition has already been corrected in more recent grants."

*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 Executive Board should review and modify as needed the policy and related procedure to include specific procedures requiring timely filing of project documents by District staff to meet reporting deadlines for quarterly and final reports as set forth in 10 CSR 80-9.050; and
- b. Modifications made to the District's policies should be in writing and approved by the Executive Board and documented within the District's signed meeting minutes with copies provided to the SWMP.

*District Resolution Actions:*

The District's Quarterly Reports Procedure on pages 3-4 of the District's Policy and Procedures Manual now provides "Staff Procedures to attain timely submission of Quarterly Status Reports (QSR)

1. District Staff will notify in writing all subgrantees of the approaching due date for quarterly reports. If the report is not received by five days after the due date, staff will notify the subgrantee by telephone that the report is overdue.
2. If QSR is not received within 30 days of the due date, formal notification in the form of a certified letter may be sent to the authorized official listed on the financial assistance agreement to promote submission of delinquent reports.
3. All payments will be withheld from the subgrantee until delinquent reports are submitted.
4. District Staff will inform the Grant Review Committee of any delinquencies of reports for future grant evaluations.

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5. District Staff will release reimbursement grant funds after reports have been found satisfactory. District Staff releases reimbursements on the quarter. Arrangements for more frequent reimbursements will have to be approved by the Region D Council.”

Additionally, the District provided a copy of the Region D Recycling and Waste Management District Council Meeting Minutes of March 13, 2008 showing formal adoption by the board of the District’s Policy and Procedures Manual.

*SWMP Response:*

The procedure could be further clarified by providing information related to Final Reports, such as retitling the section to reflect “Quarterly and Final Reports” and add “and Final Reports” to all sections referencing “Quarterly”. The District should amend the procedure to include these modifications and the board should include such amendments in their meeting minutes. With these minor modifications and provision of a copy of the revised Procedure and Council minutes, the SWMP will complete the review of Finding 6.

*District Response received 07-22-08:*

The District has clarified the procedures by adding to the title “and Final Reports” and has added “and Final reports” to all sections referencing “Quarterly”. Additionally, the District provided a copy of the Region D Recycling and Waste Management District Council Meeting Minutes of July 10, 2008 showing formal adoption by the board of the amendments to the District’s Policy and Procedures Manual.

*SWMP Response: (Finding Resolved)*

With submittal of this additional information, the SWMP considers Finding 6 resolved.

**7. Diversion Reporting**

*Auditor Recommendation:*

We recommend the District report actual diversion totals from activities directly related to the project.

*District Response:*

The District stated, “We will alter tables to include items specific to the grant.”

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*SWMP Response:*

We concur with the auditor's recommendation. The District should only be reporting the diversion attributable to a grant project on that project's quarterly project status reports. Other diversion may be documented by the District and reported in the Annual Report.

*SWMP Recommendations:*

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

- a. The Executive Board should review and modify as needed the policy and related procedure to require reporting of the volume or weight in tons of waste diverted for each type of recovered material utilized in District grant projects, if appropriate, as set forth in 10 CSR 80-9.050(3)(B)1; and
- b. Modifications made to the District's policies should be in writing and approved by the Executive Board and documented within the District's signed meeting minutes with copies provided to the SWMP.

*District Resolution Actions:*

The District's Quarterly Reports Procedure on page 4 of the District's Policy and Procedures Manual now provides "8. Waste diversion amounts specific to the grant will be reported to MDNR. The subgrantee or their material recovery facility will provide the information to the District on the quarterly reports. Waste diversion will be provided through the reporting period of 12 months." Additionally, the District provided a copy of the Region D Recycling and Waste Management District Council Meeting Minutes of March 13, 2008 showing formal adoption by the board of the District's Policy and Procedures Manual.

*SWMP Response: (Finding Resolved)*

With submission of this information, the SWMP considers Finding 7 resolved. Please note, the Council may wish to consider strengthening their procedure by modifying the language to include projects that extend past 12 months. Suggested language for your use follows: "Waste diversion will be provided through the reporting period of 12 months or for the life of the financial assistance agreement if longer than 12 months."

**8. Stale Dated Checks**

*Auditor Recommendations:*

We recommend that the District implement procedures to ensure that stale dated checks are researched and a stop payment is placed on all stale dated checks.

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*District Response:*

The District stated, "We will determine the bank's policy on stale dated checks and develop our own system to deal with stale dated checks in the future."

*SWMP Response:*

We concur with the auditor's recommendation.

*SWMP Recommendations:*

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

- a. The Executive Board should review and modify as needed the policy and related procedure to ensure that District stale dated checks are researched and a stop payment is placed on such stale dated checks to adequately protect District assets; and
- b. Modifications made to the District's policies should be in writing and approved by the Executive Board and documented within the District's signed meeting minutes with copies provided to the SWMP.

*District Resolution Actions:*

The District's Financial Tracking and Reporting Procedure on page 2 of the District's Policy and Procedures Manual now provides "Stale checks will be handled in the following manner; one hundred days after the check date, the bank will be notified to mark a check for non-payment." Additionally, the District provided a copy of the Region D Recycling and Waste Management District Council Meeting Minutes of March 13, 2008 showing formal adoption by the board of the District's Policy and Procedures Manual.

*SWMP Response:*

This procedure could be strengthened by adding a requirement for the District Coordinator to issue an "Outstanding Checks" letter to the entity issued the check prior to marking the check for non-payment on the 100<sup>th</sup> day from issuance. This will avoid the District paying the cost of stopping payment on checks that may be in-process. The District should amend the procedure to include these modifications and the board should include the amendment in their minutes. With these minor modifications and provision of a copy of the revised Procedure and Council minutes, Finding 6 will be resolved.

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*District Response received 07-22-08:*

The District's Financial Tracking and Reporting Procedure on page 2 of the District's Policy and Procedures Manual now provides "Stale checks will be handled in the following manner; District Staff will issue an outstanding check letter to be sent to the entity issued the check prior to marking the check for non-payment on the 100<sup>th</sup> day from issuance. One hundred days after the check date, the bank will be notified to mark a check for non-payment." A copy of the letter to be mailed to the entity with an outstanding check was included for SWMP review. Additionally, the District provided a copy of the Region D Recycling and Waste Management District Council Meeting Minutes of July 10, 2008 showing formal adoption by the board of the amendments to the District's Policy and Procedures Manual.

*SWMP Response: (Finding Resolved)*

With submittal of this information, the SWMP considers Finding 8 resolved.

**9. Failure to Report Program Income**

*Auditor Recommendation:*

We recommend that the District promptly report all program income on the Quarterly Project Financial Summaries submitted to the MDNR.

*District Response:*

The District stated, "The project was through another District that did quarterly reporting, we will list the income on the next Quarterly Report."

*SWMP Response:*

We concur with the auditor's recommendation.

*SWMP Recommendations:*

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

- a. The Executive Board should review and modify as needed the policy and related procedure to ensure that District program income is appropriately reported on the Quarterly Project Financial Summary; and
- b. Modifications made to the District's policies should be in writing and approved by the Executive Board and documented within the District's signed meeting minutes with copies provided to the SWMP.

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*District Resolution Actions:*

The District's District Grant Income Procedure on page 2 of the District's Policy and Procedures Manual now provides "All program income will be reported through the Quarterly Project Financial Summaries to be submitted to MDNR." Additionally, page 4, Program Income sets forth "If a project generates program income, the subgrantee is required to roll program income back into the project receiving grant funds. The income must be reported to the District demonstrating how the income is being used to benefit the project." Additionally, the District provided a copy of the District's September 30, 2007 Quarterly Financial Summary Report identifying program income earned by the District and the Region D Recycling and Waste Management District Council Meeting Minutes of March 13, 2008 showing formal adoption by the board of the District's Policy and Procedures Manual.

*SWMP Response: (Finding Resolved)*

With submittal of this information, the SWMP considers Finding 9 resolved.

**10. Office and Storage Lease**

*Auditor Recommendation:*

We recommend the District enter into a written lease for all spaces rented by the District.

*District Response:*

The District stated, "We have spoken to the Mayor and it will be addressed."

*SWMP Response:*

We concur with the auditor's recommendation.

*SWMP Recommendations:*

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

- a. The Executive Board should review and modify as needed the policy and related procedure to ensure that District accounting records are supported by source documentation such as cancelled checks, paid bills, payrolls, time and attendance records, contract, and agreement award documents as set forth in 10 CSR 80-9.050(7)(B); and

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- b. Modifications made to the District's policies should be in writing and approved by the Executive Board and documented within the District's signed meeting minutes with copies provided to the SWMP.

*District Resolution Actions:*

The District's Rent and Storage Agreements Procedure on page 6 of the District's Policy and Procedures Manual now provides "The District in compliance with state bidding regulations will have set forth an agreement for a 3-year lease for office space and a storage area. The Council will review and approve the agreement." Additionally, the District provided a copy of the current lease agreement and the Region D Recycling and Waste Management District Council Meeting Minutes of March 13, 2008 showing formal adoption by the board of the District's Policy and Procedures Manual.

*SWMP Response: (Finding Resolved)*

With submittal of this information, the SWMP considers Finding 10 resolved.

**11. Printed Materials**

*Auditor Recommendation:*

We recommend that the District implement procedures to ensure that all printed materials distributed by the District or any subgrantee of the District properly credit MDNR for funding and identify the Department and its logo.

*District Response:*

The District responded, "This condition has been corrected."

*SWMP Response:*

We concur with the auditor's recommendation.

*SWMP Recommendations:*

- The SWMP recommends the District take the following actions to resolve Finding #11:
- a. The Executive Board should review and modify the District's policy to require staff and the District's subgrantees review all materials prior to printing to ensure MDNR and its logo are identified and credit is given for funding the project; and

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- b. Modifications made to the District's policies should be in writing and approved by the Executive Board and documented within the District's signed meeting minutes with copies provided to the SWMP.

*District Resolution Actions:*

The District's Printed Materials Procedure on page 6 of the District's Policy and Procedures Manual now provides "All printed materials distributed by the District and subgrantees must properly credit MDNR for funding and identify the Department and its logo. District Staff will review subgrantees projects relating to printed materials prior to distribution. Reimbursements cannot be made without correct labeling." Additionally, the District provided a copy of the Region D Recycling and Waste Management District Council Meeting Minutes of March 13, 2008 showing formal adoption by the board of the District's Policy and Procedures Manual.

*SWMP Response: (Finding Resolved)*

With submittal of this information, the SWMP considers Finding 11 resolved.

**12. Property Lacking MDNR Tag**

*Auditor Recommendation:*

We recommend the District place a MDNR sticker on all equipment purchased with MDNR funds.

*District Response:*

The District stated, "We are in the process of correcting this condition."

*SWMP Response:*

We concur with the auditor's recommendation.

*SWMP Recommendations:*

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

- a. The District should establish a written policy and related procedure to account for and report capital assets including equipment in accordance with Department of Natural Resource's (DNR's) General Terms and Conditions and placement of appropriate signage or stickers to disclose use of MDNR funding;

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- b. During FY'08, the District should provide to SWMP a copy of a physical inventory including physical asset tag numbers as verification of the District's compliance with this requirement; and
- c. Modifications or the addition of District policies should be in writing and approved by the Council or Executive Board and documented within the District's signed meeting minutes.

*District Resolution Actions:*

The District's Equipment Procedure on page 5 of the District's Policy and Procedures Manual now provides "Equipment purchased with grant funds will in accordance with MDNR's General Terms and Conditions have placement of appropriate signage or stickers to disclose use of MDNR funding. The District will provide the stickers and guidance on placement of stickers. Stickers or signage will be numbered and recorded with the District to further verify compliance." Additionally, the District provided a copy of the District's property identification tags and a copy of the Region D Recycling and Waste Management District Council Meeting Minutes of March 13, 2008 showing formal adoption by the board of the District's Policy and Procedures Manual.

*SWMP Response: (Finding Resolved)*

With submittal of this information, the SWMP considers Finding 12 resolved.

**13. Sunshine Law Compliance**

*Auditor Recommendation:*

We recommend that the District be required to immediately adopt all required forms of documentation as stipulated by the Missouri Sunshine Law.

*District Response:*

The District agreed with the finding and recommendation.

*SWMP Response:*

We concur with the auditor's recommendation.

*SWMP Recommendations:*

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

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- a. The Executive Board and Council will review and make needed amendments to the District's policy and related procedure to ensure all Council and Executive Board meeting minutes include the following:
  - i. whether the meeting was opened or closed to the public; and
  - ii. the place in which the meeting was held.
- b. Any modifications made to the District's policies and procedures should be in writing and approved by the board and documented within the District's signed meeting minutes with copies provided to the SWMP.

*District Resolution Actions:*

The District's Meetings Procedure on page 1 of the District's Policy and Procedures Manual now provides "All meetings are held in accordance with Missouri Sunshine Law. Meeting notices will include, but not be limited to whether the meeting is opened or closed to the public, location, and time of scheduled meetings. The District Staff will provide meeting minutes and notices to the members. Meeting notices will be posted at the District office 24 hours prior to meeting. If exceptional circumstances prevent the posting of meeting notices 24 hours in advance or prevent the meeting from being held at a convenient time or in a place reasonably accessible to the public, the reasons should be stated in the meeting's minutes, as allowed under the Sunshine Law. Records will be retained and made available according to the Missouri Sunshine Law." Additionally, the District provided a copy of the Region D Recycling and Waste Management District Council Meeting Minutes of March 13, 2008 showing formal adoption by the board of the District's Policy and Procedures Manual.

*SWMP Response:*

We recommend the Procedure be further strengthened by requiring the meeting notice to set forth the other Chapter 610 required elements: the date of the meeting, a tentative agenda of an open meeting, and if the District intends to hold a meeting by conference call or other electronic means, the notice must specify the location where the public may observe and attend that meeting. Also, the information provided did not disclose the name of the custodian of record for the District. Section 610.023.1, RSMO, states "Each public governmental body is to appoint a custodian who is to be responsible for the maintenance of that body's records. The identity and the location of a public governmental body's custodian is to be made available upon request." If the District has a resolution in place providing the identity and location of its custodian of records, please provide a copy to the SWMP. If not disclosed elsewhere, the District may wish to amend their policy to clearly disclose this information related to the District's custodian of record. With submission of this additional information by the District, the SWMP will be able to resolve Finding 13.

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*District Response received 07-22-08:*

The District's Meetings Procedure on page 1 of the District's Policy and Procedures Manual updated July 10, 2008 now provides "All meetings are held in accordance with Missouri Sunshine Law. Meeting notices as set forth in Chapter 610 Sunshine Law will include, the date, a tentative agenda of an open meeting and if the meeting is to be held by conference call, or other electronic means, the notice must specify the location where the public may observe and attend that meeting. The District Staff will provide meeting minutes and notices to the members. Meeting notices will be posted at the District office 24 hours prior to meeting. If exceptional circumstances prevent the posting of meeting notices 24 hours in advance or prevent the meeting from being held at a convenient time or in a place reasonably accessible to the public, the reasons should be stated in the meeting's minutes, as allowed under the Sunshine Law. Records will be retained and made available according to the Missouri Sunshine Law. The District Staff shall serve as the custodian of record for the District and the location of the records will be the District Office located at 114 Main, Clarksdale, MO." Additionally, the District provided a copy of the Region D Recycling and Waste Management District Council Meeting Minutes of July 10, 2008 showing formal adoption by the board of the District's amendments to the Policy and Procedures Manual.

*SWMP Response: (Finding Resolved)*

With submittal of this additional information, the SWMP considers Finding 13 resolved.

**14. Executive Board Meetings**

*Auditor Recommendation:*

We recommend that the Executive Board meet quarterly as stated in the District Bylaws.

*District Response:*

The District stated, "We will abide or change the bylaws."

*SWMP Response:*

We concur with the auditor's recommendation.

*SWMP Recommendations:*

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

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- a. The Council should have a procedure in place to annually review and make amendments, as needed, to the Council's by-laws:
- b. The SWMP recommends the Council review its by-laws and either meet quarterly or amend the by-laws to reflect the Council's actual practice, which must be in compliance with 260.320.2, RSMO; and
- c. Any modifications to the Council's by-laws should be in writing and a copy submitted to the SWMP along with a copy of the Council's meeting minutes reflecting approval of the by-law amendments.

*District Resolution Actions:*

The District's Executive Board Procedure on page 1 of the District's Policy and Procedures Manual now provides "In accordance with state regulations and as outlined in the District By-laws the Executive Board will consist of a Chairman, Vice-chairman, Secretary/Treasurer and 4 Elected at Large Members from the Council. The District Coordinator will be a non-voting member of the Executive Board. In accordance with the District By-laws the Executive Board will meet quarterly. The Executive Board will have the powers and duties as listed in the District By-laws and in accordance with state regulations." Additionally, the District provided copies of meeting attendance sign-in sheets for the September 13 and October 11, 2007 and February 14, 2008 meetings and a copy of the Region D Recycling and Waste Management District Council Meeting minutes from March 13, 2008 showing formal adoption by the board of the District's Policy and Procedures Manual.

*SWMP Response: (Finding Resolved)*

With submittal of this information, the SWMP considers Finding 14 resolved.

**15. Proposal Review and Evaluation**

*Auditor Recommendation:*

We recommend that the District implement a plan to ensure that the required criteria are included in the District's project proposal review and evaluation procedures.

*District Response:*

The District stated, "We will incorporate the needed criteria into our proposal evaluation in the next grant period."

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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 #15:

- a. The District should review their current written policy and related procedures for use in evaluating projects and adopt a standardized evaluation form using all required criteria;
- b. The District should provide to SWMP a copy of their modified evaluation form using all of the criteria required by statute; and
- c. Modifications to any District policies to bring the District into compliance should be in writing and approved by the Executive Board and documented within the District's signed meeting minutes with a copy provided to the SWMP.

*District Resolution Actions:*

The District's Grant Review Committee Policies on page 2-3 of the District's Policy and Procedures Manual now provides "District grant applications shall be reviewed and ranked based on the criteria pursuant to applicable state regulations." Additionally, the District provided a copy of newly implemented District Grant Evaluation Review Form 2008 and the Region D Recycling and Waste Management District Council Meeting Minutes of February 14, 2008 showing formal adoption by the board of the District's use of the required nineteen evaluation criteria and minimum scoring criteria.

*SWMP Response: (Finding Resolved)*

With submittal of this information, the SWMP considers Finding 15 resolved.

**16. Internal Controls**

*Auditor Recommendation:*

We recommend that the District implement procedures so that all cash handling functions performed by the District Coordinator are reviewed by a board member including all petty cash transactions.

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*District Response:*

The District stated, "We will consider removing the District Coordinator from the checking account signature card and the treasurer will continue to monitor the cash function monthly and we will consider eliminating the petty cash fund."

*SWMP Response:*

We concur with the auditor's recommendation.

*SWMP Recommendations:*

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

- a. The Executive Board should adopt a written policy that requires Executive Board monitoring of District expenditures given the District's limited staffing to ensure adequate segregation of duties and that funds are only used for necessary and appropriate expenditures for reducing solid waste and expanding recycling activities; and
- b. Modifications made to the District's policies should be in writing and approved by the executive board and documented within the District's signed meeting minutes with copies provided to the SWMP.

*District Resolution Actions:*

The District's Financial Tracking and Reporting Procedure on page 2 of the District's Policy and Procedures Manual now provides "District Staff will conduct regular reconciliation of monthly accounting reports. The Treasurer or Chairman shall sign/initial and date bank statements compared with QuickBooks reports to insure internal control. Checks will require two signatures. The Secretary/Treasurer, Chairman, and one additional Council member will be listed as authorized signatures at the bank. District Staff shall have the power to make bank transfers from savings and money market accounts to checking as needed. District Staff does not have the power to sign checks. The District Staff shall have the power to make deposits. The District will secure an annual financial audit in accordance with state regulations." Additionally, the District provided a copy of the bank account signature card with appropriate signatures and a copy of the Region D Recycling and Waste Management District Council Meeting Minutes of March 13, 2008 showing formal adoption by the board of the District's Policy and Procedures Manual.

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*SWMP Response:* (Finding Resolved)

With submittal of this information, the SWMP considers Finding 16 resolved. Please note, this procedure could be further strengthened by setting the timeliness of the Treasurer or Chairman's review, signing/initialing, and dating of the bank statements to QuickBooks to be on a monthly basis. Suggested wording follows: "On a monthly basis, the Treasurer or Chairman shall sign/initial and date bank statements compared to the QuickBooks reports to insure adequate internal control over the District's bank accounts."

**17. Payroll**

*Auditor Recommendation:*

We recommend that the District disburse paychecks only after the pay period end and that all bonuses be included on the employee's W-2 form.

*District Response:*

The District stated, "The District Coordinator attended National Recycling Coalition annual meeting for the remainder of the pay period and the check was needed to fund expenses as there was no District credit card at the time. We will continue to issue paychecks at the pay period end. Bonuses will be included on W-2's in the future."

*SWMP Response:*

We concur with the auditor's recommendation in regard to paycheck disbursement. We understand a non-routine issue, such as the need to pay an employee early outside the normal pay cycle to accommodate a business need (i.e., conference attendance) may warrant an exception. The procedural exception should be noted in the District's meeting minutes and receive Executive Board approval.

Additionally, a bonus paid to a District staff member is incentive compensation and as such would be allowable to the extent that the overall compensation is determined to be reasonable and that such longevity bonus costs are paid pursuant to an agreement entered into in good faith between the organization and the employee before the services are rendered, or pursuant to an established written policy followed consistently by the District and in place at the start of the period covered by such bonus. Since it is unclear such a policy existed at the time this bonus was paid, we request the District take action to establish such a policy or discontinue longevity bonuses as the costs would be unallowable.

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*SWMP Recommendations:*

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

- a. The Executive Board should consider the merits of providing longevity bonuses and either establish a policy or discontinue the practice. In establishing such a policy, the Executive Board should consider the reasonableness of the award amount and weigh the benefit received by the District from such awards. Bonuses to be awarded to District staff should be clearly disclosed in the annual District Operations application;
- b. The Executive Board should review and amend the District's policy and related procedures to ensure assets are adequately safeguarded and disbursed only when due. Additionally, if the Executive Board determines a need for an exception process to allow for early payment, such process should be documented in the District's policies and procedures; and
- c. Modifications of or additions to District policies are required to be in writing, approved by the Executive Board, documented within the District's signed meeting minutes with a copy provided to the SWMP.

*District Resolution Actions:*

The District's Payroll Procedure on page 6 of the District's Policy and Procedures Manual now provides "Paychecks are issued on the last working day of the month. The Council might approve an exception for early payment in the case of out of town business related activities. The Council shall approve the payment of longevity bonuses as listed in the District's Personnel Manual. Longevity bonuses will not be paid without Council approval and listing of warrant of award. Longevity bonuses will be budgeted through the District Operations Grant and reported to the IRS.

*SWMP Response:*

In order to complete our review of Finding 17, please provide a copy of the District's Personnel Manual section related to longevity bonuses which is referenced in the District's Payroll Policy. Upon submission of this additional information, the SWMP will complete our review of Finding 17.

*District Response received 07-22-08:*

The District provided a copy of the Payroll Policy related to Longevity Bonuses which provides "After five full years of continuous employment each employee is eligible to receive \$30.00 per year for each year of employment, up to a maximum of twenty years, or \$500.00. Longevity pay will be calculated and paid in December annually."

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*SWMP Response:* **(Finding Resolved)**

With submittal of this additional information, the SWMP considers Finding 17 resolved.

