

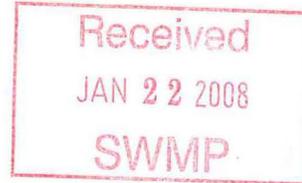


**OZARK FOOTHILLS
SOLID WASTE MANAGEMENT DISTRICT**

1625 Rowe Parkway
Poplar Bluff, Missouri 63901
(573) 785-0034

January 14, 2008

Mr. Jim Hull
Director
Solid Waste Management Program
Division of Environmental Quality
Department of Natural Resources
P.O. Box 176
Jefferson City, MO 65102



Re: Region Q – Ozark Foothills Solid Waste Management District
Audit Finding Responses

Dear Mr. Hull:

We are in receipt of your letter dated July 11, 2007, in which you discuss proposed actions pursuant to audit findings concerning the Ozark Foothills Regional Solid Waste Management District. Both the findings and recommendations have been considered. The following responses, which are numbered to correspond to the Final Audit Finding Resolution, are presented for your review and comment.

1. Failure to adopt required policies (Council and Board Membership and Conflict of Interest).

Recommendation 1a.

The Council or Executive Board should develop and implement a written Policy identifying the district's procedure for monitoring the qualifications, terms and vacancies of its Council and Executive Board members.

Response 1a.

In December 1998, the Ozark Foothills Solid Waste Management District Advisory and Executive Boards took action to consolidate all oversight functions for the Ozark Foothills Solid Waste Management District under the administrative umbrella of the Ozark Foothills Regional Planning Commission. Through adoption of resolutions, each county in the district (Butler, Carter, Reynolds, Ripley and Wayne) authorized the Ozark Foothills Regional Planning Commission Board of Directors and Executive Board to serve as the governing boards for the Ozark Foothills Solid Waste Management District. This alternative management structure was authorized under Section 260.300.3 of Senate Bill 530. Please see Attachment A to review the

enabling resolutions from each county within the district and from the Ozark Foothills Solid Waste Management District Advisory Board. Adopting the alternative management structure to consolidate all oversight under the Ozark Foothills Regional Planning Commission Board of Directors combined the two (2) organizations' boards. Membership on the Ozark Foothills Regional Planning Commission Board was membership on the Ozark Foothills Solid Waste Management Advisory Board. With the combination of these boards, the by-laws for each board were combined. Therefore, membership qualifications, terms and vacancies became the same for each board. Please refer to Attachment B (Article III) for the District's policies on qualifications, terms and vacancies.

Recommendation 1b.

The Council or Executive Board should review and strengthen the district's written policy that prevents member being directly involved in evaluation, ranking or approval of grant applications where conflict of interest, real or implied, exists.

Response 1b.

The Ozark Foothills Regional Planning Commission Board of Directors, inclusive of the Ozark Foothills Solid Waste Management District, in April 1999, adopted the *Ozark Foothills Regional Planning Commission Employee Handbook and Operations Manual*. Section 108, "Conflicts of Interests", outlines the Commission's policy on issues involving the personal interests of Commission members, officers, agents or employees. A copy of the meeting minutes and resolution are presented in Attachment C as evidence of adoption of the manual. The policy states:

"No party to any agreement, contract or funding approval and no officer, agent or employee of either party to any grant agreement, contract or funding approval who exercises functions or responsibilities in the review or approval of the performance of any grant agreement, contract or funding approval shall participate in any decision relating to any grant agreement, contract or funding approval which would affect their personal or pecuniary interest directly or indirectly."

"No person shall serve as a member of the Ozark Foothills RPC Commission or executive board who is a stockholder, officer, agent, attorney or employee who is any way pecuniarily interested in any business which engages in any aspect of programs administered by, funded through or participated in by the Ozark Foothills RPC, provided, however, that such member may own stock in a publicly traded corporation which may be involved in

programs administered by, funded through or participated in by the Ozark Foothills RPC as long as such holdings are not substantial.”

The Commission’s attorney has reviewed the conflict of interest policy and found it satisfactory. Should this policy not be acceptable, please provide the acceptable language for Commission consideration.

Following the 1998 audit, the District drafted conflict of interest language to be included in the District’s by-laws as Sections 13, 14 and 15. While the resolution was located, also presented as part of Attachment C (b), no evidence exists to prove the resolution was adopted. As can be read, the language in Section 13 and Section 14 matches, in large part, the language in the Ozark Foothills RPC’s policy manual. At the December 2007 Ozark Foothills RPC Board meeting, a request to adopt Section 15 was presented. Section 15 was adopted by Commission (District) membership. Resolution 205, Attachment D, is presented indicating adoption of Section 15 into the Ozark Foothills RPC’s policy manual.

Recommendation 1c.

The Council or Executive Board should review the district’s written policy for requesting proposals from outside entities and methods used to encourage their participation in performing grant program activities. The Council or Executive Board should also strengthen the district’s documentation process related to grant proposal evaluation, ranking and approval of grant applications. This would include the provision of evidence that outside entity capacity is scarce within the boundaries of the district, as applicable.

Response 1c.

Solicitation for grant proposals is advertised in each newspaper in the District’s five (5) counties. In addition, notice is forwarded to all communities with a population of 500 and over in the District. Evidence for the solicitation is affidavits of publication and copies of the letters and notices sent to each of the communities with populations exceeding 500. Please see Attachment E for samples of the published and posted notices. This policy complies with 10 CSR 80-9.050 Solid Waste Management Fund – District Grants, Section (5) District Sub-grantee procedures, Item (A) Notification by the Districts.

Any grant proposals received are submitted to the members of the Ozark Foothills Regional Planning Commission’s Executive Committee. A scoring sheet, included as Attachment F, is used to evaluate proposals based upon criteria established by the Missouri Department of Natural Resources in 10 CSR 80-9.050 Solid Waste Management Fund – District Grants, Section (5) District Sub-grantee

Procedures, Item (D) Proposal Review and Evaluation, Paragraph (3) Proposal Evaluation.

In response to the statement within the audit regarding presentation of "evidence that outside entity capacity is scarce within the boundaries of the district," all that can be offered is the record of response to the District's solicitations. The above described process has been used since 1998. During this time period, 1998 – 2007, only one inquiry, not application submission, has been received to the solicitation. This indicates the scarcity of outside entity capacity within the boundaries of the district. Reporting the District's response rate to solicitations is not meant to be argumentative. It is offered only as evidence of the absence of outside entity capacity.

Recommendation 1d.

Modifications made to the district's policies should be in writing and approved by the Council or Executive Board and documented within the district's signed meeting minutes.

Response 1d.

The District understands the need for Board of Director's approval of modifications of policies. Resolutions, such as those included with this response, are presented to the Board for approval when revisions to policies are offered. These resolutions are entered into the minutes as practice. Unfortunately, the auditors are correct, and the District acknowledges, some resolutions were not signed nor did their adoption appear in the minutes. In some cases, minutes were not signed. The District will make every effort in the future to assure all resolutions are duly adopted, entered into the minutes and signed by all required officers. The District's Executive Director accepts full responsibility for assuring compliance. As a result of this audit finding, the Executive Director, as opposed to assigned staff members, will assure all minutes are signed by the appropriate officers at the conclusion of all meetings.

2. Incomplete minutes for both Council and Executive Board Meetings (Repeat Finding).

Recommendation 2a.

The Council or Executive Board should amend the district's policy and related procedure to ensure all Council and Executive Board meeting minutes are reviewed, approved and signed by the district chairperson and secretary.

Response 2a.

Article IV, Paragraph 4.7 of the Ozark Foothills Regional Planning Commission and Ozark Foothills Solid Waste Management District By-laws require Commission and Executive Committee minutes be signed by the presiding officer and Commission Secretary. The District admits fault in failing to comply with this requirement. Responsibility for oversight and compliance with this requirement falls to the Executive Director. As a result of this audit finding, the Executive Director, as opposed to assigned staff members will assure all minutes are signed by the appropriate officers at the conclusion of all meetings.

Recommendation 2b.

The Council or Executive Board should review the district's policy and related procedure to ensure compliance with the Sunshine Law. Specifically, the Council and Executive Board should pay particular attention to: 1) the requirement for a written policy regarding the release of information on any meeting, record or vote and 2) the requirement for publicizing the date, time and place of open Executive Board meetings to the public.

Response 2b.

Review of the Missouri Sunshine Law has been completed by staff and District Board members have been apprised of the requirements for publicizing meeting notices and allowing public access to organization documents and records. The By-laws have been amended to reflect the Sunshine Law's requirements. These revisions include the distribution and posting of meeting notices. Please review Attachment G, Paragraph 4.4, for the revisions made to the By-laws to assure compliance with the Sunshine Law. Further, the By-laws have been revised to outline the requirements for request, release and cost of producing organizational documents and/or records. Attachment G, Paragraph 4.7, also includes the policy for access to District documents and records.

Recommendation 2c.

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.

Response 2c.

The revisions presented under Recommendation 2b and Recommendation 2c will be presented to the Board for approval in March 2008. Copies of the minutes will be

forwarded to the SWMP as confirmation of the approval of Commission (District) membership.

3. Inappropriate Recording of Equipment (Repeat Finding).

Recommendation 3a.

The district should adopt 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, 1.H.

Response 3a.

Section 994 of the Ozark Foothills RPC's Employee Handbook and Operations Manual outlines policy for procurement, inventory and disposal of equipment, supplies and services. A copy of the section is provided identified as Attachment H.

Recommendation 3b.

The district should provide to SWMP a copy of the inventory as verification of the paper-bailing machine's inclusion in the district's asset inventory.

Response 3b.

Attachment I is presented as verification of inclusion of the paper-bailing machine in the district's asset inventory.

Recommendation 3c.

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.

Response 3c.

The district acknowledges and intends to fully comply with this recommendation. Errors have occurred, but the Executive Director is taking direct responsibility for assuring documentation of approval of policy revisions.

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

Recommendation 4a.

The district should ensure compliance with 10 CSR 80-9.050(4)(B). This portion of the regulation requires an accounting system that accurately reflects all fiscal transactions, incorporates appropriate controls and safeguards and provides clear references to the projects as agreed to in the Financial Assistance Agreement. Specifically, the accounting system of the district should clearly provide an account structure allowing for the identification, tracing and reporting of grant funds. Also, the district should establish appropriate allocation methods of shared costs to various programs operated by the district.

Response 4a.

The district prepares financial statements for all operations. Financial statements for the district are presented as specific line items within the Ozark Foothills RPC's financial statement on a monthly basis. Please review the Financial Statement presented as Attachment J as evidence of the district's accounting system which allows for identification, tracing and reporting of grant funds.

Recommendation 4b.

The district should provide a copy to SWMP of their modified chart of accounts identifying grant funds to verify the district's compliance with 10 CSR 80-9.050(4)(B).

Response 4b.

The District submits its modified chart of accounts (Attachment K) as evidence of the District's compliance with 10 CSR 80-9.050(4)(B). Two (2) major accounts are dedicated specifically to the Solid Waste Management District operations. They are identified by major account codes A/C 1085 - SWM District Fund and A/C 1095 - SWM Program (Recycle). Detailed financial records for District operations are produced and maintained in the District's accounting system's General Ledger (Attachment L), Transaction Activity (Attachment M) and Trial Balance (Attachment N) programs. A Chart of Accounts is maintained for all asset, liability, revenue, and expense activity within the two (2) major programs.

Recommendation 4c.

The district should provide a copy to SWMP of their allocation methodology for shared costs to allow for verification of the districts compliance with 10 CSR 80-9.050(4)(B).

Response 4c.

The District's Chart of Accounts (Attachment K) serves as the allocation methodology used. This Chart of Accounts allows the District to track expenditures and revenues as district grant funds or program income. These two (2) sources of revenue are the only two (2) which are used to distribute funds to expenditure categories or line items for the District.

Recommendation 4d.

Modifications or the addition of any district policies to bring the district into compliance should be in writing and approved by the Council or Executive Board and documented within the district signed meeting minutes.

Response 4d.

The district acknowledges and intends to fully comply with this recommendation. Errors have occurred, but the Executive Director is taking direct responsibility for assuring documentation of approval of policy revisions.

**5. Failure to Adopt and Implement Adequate Accounting Control Systems
(Repeat Finding).**

Recommendation 5a.

The Council or Executive Board should amend their written policy and related district's procedures to maintain accounting systems adequate to safeguard assets such as:

- use of prenumbered checks with identification of the solid waste district as the account owner for all checking accounts;
- issue prenumbered receipt slips for all cash and checks, etc. received, except for electronic transfers, compare the listing of mail receipts to the deposit slips by an independent person having no access to cash, and segregate the duties of depositing monies and recording financial transactions in the general ledger;
- segregation of cash receipts and petty cash disbursement functions;
- periodic independent responsible person review of accounting and petty cash transactions records;

- bank accounts should be reconciled monthly and documented, bank balances should be reconciled to the checkbook balance, the general ledger and the Quarterly Project Financial Summary form and bank reconciliations should be reviewed by an independent responsible official; and the district should issue separate financial statements that include only district assets, liabilities and fund balance.

Response 5a.

- The District does use prenumbered checks with identification of the District as the account owner. Attachment O, a copy of check numbers 3005 and 3163 from the Program Income account and the District Fund account, respectively, are presented as documentation.
- The District challenges the requirement to prepare receipts for both cash and check revenues. For cash revenue, a prenumbered receipt is prepared. A copy of a receipt from the District is presented as Attachment P as confirmation of their use. All cash and check revenues are listed on a Revenue Register daily. The secretary receives the revenues and enters them on the register. Once entered, the revenue and register are presented to the Executive Director. The Executive Director copies all checks received and places them, along with the Revenue Register in the appropriate file folder. All revenue is delivered to the Fiscal Officer. The Fiscal Officer prepares and makes the deposit. When the Bank Statements are received, the Executive Director compares the statements with the Revenue Register to assure deposits have been made properly. Additionally, the District is involved in city and county clean-ups where tires and electronics are received. Disposal fees are paid on site. These revenues are listed on the Revenue Register when delivered by the Recycling Coordinator. Checks received serve as the receipt for the payer. Understandably, segregating duties among depositing monies and recording financial transactions is the ideal situation. Unfortunately, as with many small agencies, personnel are limited as is the ability to spread duties. While the District agrees segregation is a good practice, secures fiduciary responsibility and creates an adequate chain of custody, in certain situations it is impractical, especially, within agencies with limited personnel. Every precaution is taken to assure checks and balances with financial transactions. Among these precautions are those mentioned above and the review of financial statements and transaction reports, in detail, by the District Executive Board; one of which is a CPA. Also, annual audits are done to further advance the accountability procedures.
- As stated above, the District agrees with the concept and will strive to maintain an adequate internal control system, but segregation of all financial processing is impractical under the circumstances.
- Bank accounts are reconciled on a monthly basis. As documentation, the District will forward a reconciliation sheet with Quarterly Reports.

- The District will issue separate financial statements including only District assets, liabilities and fund balance.

Recommendation 5b.

During FY08, the district should provided supporting documentation (i.e., copies of monthly reconciled bank statements) with quarterly Financial Summary forms to SWMP to allow for verification that the district is reconciling monthly bank statements.

Response 5b.

The District will provide copies of monthly reconciled bank statements with Quarterly Financial Summary Reports as verification of monthly bank reconciliations.

Recommendation 5c.

The district should provide a copy of the invoice detailing purchase of prenumbered receipt slips and a copy of one receipt to allow SWMP to verify this action has taken place.

Response 5c.

The receipt from the District's receipt book presented as Attachment P is confirmation of their use. All cash and check revenues are listed on a Revenue Register daily. The secretary receives the revenues and enters them on the register. Once entered, the revenue and register are presented to the Executive Director. The Executive Director copies all checks received and places them, along with the Revenue Register in the appropriate file folder. All revenue is delivered to the Fiscal Officer. The Fiscal Officer prepares and makes the deposit. When the Bank Statements are received, the Executive Director compares the statements with the Revenue Register to assure deposits have been made properly.

Recommendation 5d.

The district should provide an organization chart or workflow diagram detailing segregation of duty functions.

Response 5d.

All cash and check revenues are listed on a Revenue Register daily. The secretary receives the revenues and enters them on the register. Once entered, the revenue and register are presented to the Executive Director. The Executive Director copies all checks received and places them, along with the Revenue Register in the appropriate file folder. All revenue is delivered to the Fiscal Officer. The Fiscal Officer prepares and makes the deposit. When the Bank Statements are received, the Executive Director compares the statements with the Revenue Register to assure deposits have been made properly. This process constitutes the segregation of duties among District personnel.

Recommendation 5e.

Modifications or the addition of any district policies to bring the district into compliance should be in writing and approved by the Council or Executive Board and documented within the district's signed meeting minutes.

Response 5e.

The district acknowledges and intends to fully comply with this recommendation. Errors have occurred, but the Executive Director is taking direct responsibility for assuring documentation of approval of policy revisions.

6. Failure to Print Recycled Symbol on Printed Materials (Repeat Finding).

Recommendation 6a.

In compliance with General Terms and Conditions, I.U., the Council or Executive Board should amend their written policy and related procedure to ensure that recycled paper is used as required. Specifically, all reports which are prepared as a part of the grant award and delivered to the MDNR should be on recycled paper. Recycled paper should also be used for any materials the district produces and makes available when using grant funds. Additionally, all materials produced in compliance with the requirement should display the recycled symbol on at least one page of all such printed materials.

Response 6a.

A copy of an invoice is presented in Attachment Q as documentation of the purchase of recycled paper. This paper will be used for submission of Quarterly Reports and for any materials produced when using grant funds. Also, copies of letterhead and recycling brochure are presented in Attachment R as examples of recycled symbol use.

Recommendation 6b.

During FY08, the district should provide supporting documentation (i.e., copies of invoices detailing recycled content) with the quarterly Financial Summary form to SWMP to allow for verification that the paper used for grant related reporting and activities meet the requirement.

Response 6b.

The invoice presented in Attachment Q is intended to satisfy this recommendation. Should SWMP continue to need submission of the invoice, the District will comply. The District estimates that the purchase of recycled content paper will occur every six (6) months.

Recommendation 6c.

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.

Response 6c.

This recommendation is understood and the District will comply.

Should you require further information or clarification, please contact me at (573) 785-6402. Thank you for your attention and, in advance, for your comments.

Sincerely,



Greg Batson
Executive Director