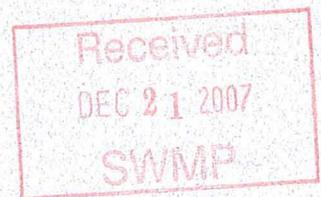


**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

**REGION E SOLID WASTE  
MANAGEMENT DISTRICT  
KANSAS CITY, MISSOURI**

**FOR THE PERIOD JANUARY 1, 2005 THROUGH  
DECEMBER 31, 2006**



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

**McBRIDE, LOCK & ASSOCIATES**

**CERTIFIED PUBLIC ACCOUNTANTS  
KANSAS CITY**

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REGION E  
SOLID WASTE MANAGEMENT DISTRICT  
KANSAS CITY, MISSOURI

TABLE OF CONTENTS

	<u>Schedule</u>	<u>Page</u>
History and Organization		1
Independent Accountant's Report on Applying Agreed-Upon Procedures		4
Schedule of Findings and Questioned Costs	I	8
Schedule of Prior Audit Findings	II	16
Schedule of Status of Subgrant Awards	III	19
Schedule of Cash Balance	IV	21
Schedule of State Funding	V	22

## REGION E SOLID WASTE MANAGEMENT DISTRICT

### History and Organization

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

The Region E Solid Waste Management District was formed pursuant to RSMo, 260.305 and was officially recognized by the MDNR in November 1991. In August 1995 the MDNR officially recognized the inclusion of Ray County as a part of Solid Waste Regional Grouping E. The District includes the City of Kansas City and the counties of Jackson, Platte, Clay, Cass, Ray, and their participating cities with a population of 500 or more. Participation in the District is voluntary and is formally established through a resolution of adoption filed with the District office by the member governments. The purpose is to develop and improve efforts to reduce the amount of solid waste generated and disposed of in a five county region, which includes the City of Kansas City, located in West-Central Missouri and to meet the goals set out in RSMo Chapter 260. The District will make recommendations and suggestions relating to solid waste collection, storage, transportation, remanufacture, and disposal. The District also intends to promote local problem solving and autonomy in solid waste management systems.

The District is operated through an administrative contract with Mid-America Regional Council (MARC). Region E has adopted an alternative management structure comprised of a Management Council consisting of 58 voting members and 7 nonvoting members and an Executive Board consisting of 14 voting members and 1 nonvoting member. The Executive Board is comprised of one representative from each member county, one representative from the City of Kansas City, Missouri, four representatives from cities over ten thousand population, and four representatives from cities under ten thousand population. Additionally, the district solid waste planner shall serve as a nonvoting member of the Executive Board. Management Council members shall serve a term of two years and may be appointed thereafter; however, members whose elected or appointed term of office in a city or county has expired may be expeditiously replaced by the governing bodies that appointed them. Each Executive Board member shall serve a term of two years from the date of appointment by the Management Council to the date of the corresponding annual meeting in the second year. There shall be no limit to the number of terms that an Executive Board member may serve.

The governing body of the Region E Solid Waste Management District is the Executive Board elected by the Management Council, which include:

- City of Kansas City, Michael Shaw
- Cass County, Tiffany Klassen
- Clay County, Craig Porter
- Jackson County, Chris Bussen
- Platte County, Greg Sager
- Ray County, Jeff Adams
- City of Lee's Summit, Josh Buehre
- City of Excelsior Springs, Roy Gray
- City of Independence, Dan McGraw
- City of Raymore, Steve Welch
- City of North Kansas City, Pat Hawver
- City of Parkville, Dan Koch
- City of Sugar Creek, Stan Salva
- City of Lake Waukomis, Ann Sanders
- Region E Solid Waste Planner, Lisa Danbury (nonvoting)

Management Council:

- City of Archie, Wade Plattner
- City of Avondale, William Rice
- City of Belton, Brad Foster
- City of Blue Springs, Gail Porter
- City of Buckner, Debbie Gilmore
- Cass County, Tiffany Klassen
- Cass County, Wayne Tiffany
- Clay County, Craig Porter
- Clay County, Carol McCaslin
- Village of Claycomo, Lois Anderson
- City of Cleveland, Bill Weis
- City of Drexel, Mike Stewart
- City of Edgerton, Donna Hay
- City of Excelsior Springs, Roy Gray
- City of Freeman, John Myers
- City of Garden City, David Larcom
- City of Gladstone, Chuck Williams
- City of Glenaire, Jeff Smith
- City of Grain Valley, David Halphin
- City of Grandview, Robert Beckers
- City of Greenwood, Richard DeCoursey
- City of Hardin, Janice Anderson
- City of Harrisonville, Debbie Grant
- City of Independence, Dan McGraw
- Jackson County, Chris Bussen
- Jackson County, Jim Meredith
- City of Kansas City, Michael Shaw
- City of Kansas City, Dennis Murphy

- City of Kansas City, Jim Van Eman
- City of Kearney, Joan Updike
- City of Lake Lotawana, Frances Grossman
- City of Lake Tapawingo, Reed Alberg
- City of Lake Waukomis, Ann Sanders
- City of Lake Winnebago, Steve Besermin
- City of Lawson, John Tracy
- City of Lee's Summit, Josh Buehre
- City of Liberty, Sara Cooke
- City of Lone Jack, Jim Nauser
- City of North Kansas City, Pat Hawver
- City of Oak Grove, Mark Fulks
- City of Orrick, Shirley Taylor
- City of Parkville, Dan Koch
- City of Peculiar, Nora Dodge
- City of Platte City, Leonard Hendricks
- Platte County, Greg Sager
- Platte County, Aaron Schmidt
- City of Pleasant Hill, Mark Randall
- City of Pleasant Valley, Lawrence Brelsford
- Ray County, Jeff Adams
- City of Raymore, Steve Welch
- City of Raytown, Dave Frazier
- City of Richmond, Robin Littrell
- City of Riverside, Gloria Hickman
- City of Smithville, Emily Greene
- City of Sugar Creek, Stan Salva
- City of Weatherby Lake, Pauli Kendrick
- City of Weston, Greg Hoffman
- City of Wood Heights, Frances Bulloc
- Johnson County, John Segale (nonvoting)
- Leavenworth County, Dean Oroke (nonvoting)
- Unified Government, Ken Mack (nonvoting)
- City of Olathe, Kent Seyfried (nonvoting)
- City of Overland Park, Jim Twigg (nonvoting)
- City of Shawnee, Michael Webb (nonvoting)
- Johnson County, Ruth Hopkins (nonvoting)

McBRIDE, LOCK & ASSOCIATES

INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED UPON PROCEDURES

Missouri Department of Natural Resources and  
Region E Solid Waste Management District  
Kansas City, Missouri

We have performed the procedures enumerated below, which were agreed to by the Missouri Department of Natural Resources (MDNR), solely to assist you in evaluating the effectiveness of the Region E Solid Waste Management District's compliance with state law, regulations, and policies, for the period January 1, 2005 through December 31, 2006. Management is responsible for the District's internal control over compliance with these requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the *American Institute of Certified Public Accountants* and the *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

Our procedures, as set forth in the MDNR 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 Executive Board and Management Council for the engagement period and selected six meetings and completed Attachment 1 *The Missouri Sunshine Law Compliance Checklist* to determine if meetings are documented as required.

**Findings:** See Finding No. 2.

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

**Findings:** See Schedule II, Schedule of Prior Audit Findings.

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

**Findings:** None.

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 MDNR 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 MDNR;
- Verified the allocation and use of interest income; and
- Reviewed the District's cash management practices.

**Findings:** None.

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

**Findings:** None.

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

- Non-Discrimination;
- Environmental Laws and Eligibility;
- Hatch Act and Restrictions of Lobbying;
- Program Income;
- Equipment Management;
- Prior Approval for Publications;
- Audit Requirements;
- Recycled Paper; and
- Contracting with Small and Minority Firms.

**Findings:** See Finding Nos. 3, 4, 11 and 12.

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

**Findings:** None.

9. **District Grants.** We obtained a schedule of district grants from the MDNR 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.
  - Missouri Organic Recycling, Inc. – waste audits on food residuals, 2005219
  - Bridging the Gap, Inc. – environmental education, 2005221
  - Old Northeast, Inc. – promoting curbside recycling, 2005224
  - Mid-America Regional Council – District services and administration, 2005228
  - Halphin Enterprises, DBA Windswept Worm Farm – educational exhibit modules, 2006002
  - Mid-America Regional Council – District services and administration, 2006003
  - The City Market – concrete pad construction and composting containers, 2006005
  - Missouri Organic Recycling, Inc. – development of yard waste service agreements, 2006008
  - Planet Aid, Inc. – textile collection, 2006011
  - Kansas City Star – educational newspaper supplement, 2006012
  - Foundation Workshop, Inc. – Purchase of baler and lift gate, 2006013
  - Boulevard Brewing Co. – glass recycling feasibility study, 2006015
  - Northeast KC Chamber of Commerce – festival recycling expenses, 2006017

**Findings:** See Finding Nos. 5, 6, 7, 8, 9 and 10.

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 E Solid Waste Management District and should not be used by those who have not agreed to the procedures and taken responsibility for

the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

*McBride, Lock & Associates*

McBride, Lock & Associates  
Certified Public Accountants

August 23, 2007

**REGION E  
SOLID WASTE MANAGEMENT DISTRICT  
KANSAS CITY, MISSOURI**

Schedule of Findings and Questioned Costs  
For the Two Fiscal Years Ended December 31, 2006

**1. Management Structure**

**Condition** – The following conditions exist concerning the operation of the District’s alternative management structure:

- The Executive Board has not selected a secretary and treasurer.
- The Executive Board has not appointed one or more geographically balanced advisory committees.

**Criteria** – RSMo 260.320.1 requires that the Executive Board at its first meeting select a secretary, treasurer and such officers or employees as it deems expedient or necessary for the accomplishment of its purposes. The secretary and treasurer need not be members of the board. Additionally, RSMo 260.320.3(7) requires that the Executive Board appoint one or more geographically balanced advisory committees composed of the representatives of commercial generators, representatives of the solid waste management industry, and two citizens unaffiliated with a solid waste facility or operation to assess and make recommendations on solid waste management.

**Effect** – The District is not in compliance with Missouri state statutory requirements regarding their management structure.

**Cause** – The District was unaware of the additional criteria requirements regarding the operation of the District’s alternative management structure.

**Recommendation** – We recommend that the District be required to comply with Missouri state statutory requirements regarding their Executive Board management structure.

**District Response** – The District stated, “The original by-laws do not specify the need for a secretary and treasurer, however, the District will comply with the Missouri statutory requirements.” Additionally, the District has a plan in place for the creation of an advisory committee that will be implemented in fiscal year 2007.

**2. Sunshine Law Compliance**

**Condition** – The review of the Management Council and Executive Board meeting minutes noted the following discrepancies:

- Meeting notice does not state whether the meeting is open or closed to the public (6 out of 6 occurrences).

- Body of the minutes does not include the place in which the meeting was held (6 out of 6 occurrences).
- Body of the minutes does not include the time of the meeting (6 out of 6 occurrences).
- Body of the minutes does not include Executive Board members absent (6 out of 6 occurrences).

**Criteria** – RSMo Chapter 610 (commonly referred to as the Missouri Sunshine Law) requires the above mentioned items to be documented in the meeting notice and minutes for each Executive Board and Management Council meeting.

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

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

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

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

### 3. **Printed Materials**

**Condition** – The audit noted one publication that was developed and distributed by a subgrantee receiving grant funding from the Solid Waste Management Fund (SWMF) which did not include credit to MDNR for funding or present the MDNR logo. Additionally, the audit noted four publications that were developed and distributed by the District which did not present the MDNR logo.

**Criteria** – The MDNR Special Terms and Conditions state, “Grantees and subgrantees receiving grant funding from the Solid Waste Management Fund shall identify the Missouri Department of Natural Resources as a funding source on all publications and other printed materials which are intended for distribution. Identification shall include the Department’s logo with the full Department name.”

**Effect** – Printed materials were distributed by a subgrantee receiving SWMF monies without giving credit to MDNR for funding or identifying the Department and its logo. Additionally, printed materials were distributed by the District which failed to identify the Department’s logo.

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

**Recommendation** – We recommend that the District be required to implement procedures to ensure that all printed materials distributed by the District or any subgrantee receiving district grant funds properly credit MDNR for funding and identify the Department and its logo.

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

#### 4. **Annual District Financial Audit**

**Condition** – The required 2006 and 2005 financial audits for the District were not timely submitted to MDNR within 120 days from the end of the District’s fiscal year. The calendar year (CY) 2006 financial audit was not received by MDNR until July 25, 2007 and the CY 2005 financial audit was not received by MDNR until November 1, 2006. Additionally, the financial audit for CY 2005 does not include a Statement of Subgrantee Expenditures that provides expenditures by subgrant and provides clear references to the projects as agreed to in the Financial Assistance Agreement (FAA).

**Criteria** – RSMo 260.325.10 and MDNR Special Terms and Conditions state, “The District board shall arrange for independent financial audits of the records and accounts of its operations by a certified public accountant or a firm of certified public accountants. Districts receiving two hundred thousand dollars or more of financial assistance shall have annual independent financial audits...” MDNR Special Terms and Conditions also state, “The District will provide DNR a copy of the entire audit report issued by a certified public accountant or a firm of certified public accountants within 120 days of the close of the District’s fiscal year.” Additionally, MDNR Special Terms and Conditions state, “The audited financial statements shall at a minimum provide for all fund types and account groups the following statements... 3. Statement of Subgrant Expenditures that provides expenditures by subgrant and provides clear references to the projects as agreed to in the Financial Assistance Agreement.”

**Effect** – The District did not timely submit the required audit report to MDNR for 2006 and 2005 and was not in compliance with the above requirements.

**Cause** – The change in the District’s fiscal year end in 2005 from June 30, 2005 to December 31, 2005 and submission of the fiscal year 2006 annual financial audit report at the annual Solid Waste Advisory Board (SWAB) meeting resulted in the untimely submission of the annual financial audit reports. Additionally, the District was unaware of the criteria requiring a Statement of Subgrantee Expenditures in fiscal year 2005.

**Recommendation** – We recommend the District be required to implement a plan to ensure that the required annual financial audit report is complete and submitted to MDNR prior to the deadline as stated in RSMo and MDNR Special Terms and Conditions.

**District Response** – The District experienced a change in the fiscal year in 2005 from June 30, 2005 to December 31, 2005 which accounted for the untimely submission of the fiscal year 2005 annual financial report and in fiscal year 2006, the District submitted the annual financial report at the annual SWAB meeting in order to save postage expense. Additionally, the rule change to 180 days of the close of the District’s fiscal year should ensure that reports will be timely submitted in the future.

#### 5. **Notification Requesting Project Proposals**

**Condition** – The audit noted that the District did not request project proposals for fiscal year 2005 by publishing a notice in the designated newspapers for Jackson and Ray Counties.

**Criteria** – 10 CSR 80-9.050(2)(A)2 states, “The district executive boards shall request project proposals by giving written notification to the governing officials of each county and city over five hundred (500) in population and by publishing a notice in a newspaper officially designated by the presiding commissioner of each county, for public notices for every county and city with a population over five hundred (500) within the district.”

**Effect** – The notices requesting project proposals for fiscal year 2005 were not published in the designated newspapers for Jackson and Ray Counties.

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

**Recommendation** - We recommend the District be required to implement procedures to ensure that notices requesting project proposals are timely published in the designated newspaper for each county within the District as required by state regulations.

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

6. **Quarterly Reports Not Submitted Timely**

**Condition** – The audit noted the following quarterly reports were not timely submitted within thirty days from the end of the quarter to MDNR for active District subgrants:

- The quarter ended September 30, 2005 report was submitted in 31 days for project numbers 2005219, 2005221, 2005224 and 2005228.
- The quarter ended September 30, 2006 report was submitted in 46 days for project number 2006008.
- The quarter ended September 30, 2006 report was not signed and dated indicating the date submitted for project number 2006011.
- The quarter ended December 31, 2006 report was submitted in 105 days for project number 2006008.

**Criteria** - 10 CSR 80-9.050(3)(B)1 states, “The District shall submit to the Department, at the end of each state fiscal year quarter, a report which contains the following for each project in progress:...”

Additionally, MDNR Guidance Document for Solid Waste Management District Grants states, “Quarterly status reports shall be submitted to the department’s SWMP for activities that occur during each calendar year quarter thirty days following the reporting period.”

**Effect** – The required status reports were not received by MDNR on a timely basis.

**Cause** – Late reports filed by subgrantees made it difficult for the District to submit all of the project reports within the thirty day deadline.

**Recommendation** – We recommend that the District implement procedures to ensure that the thirty day deadline for submitting quarterly reports to MDNR is achieved in accordance with state regulations and MDNR guidance.

**District Response** – The District will work to ensure that all quarterly reports are submitted to MDNR within the required deadline.

7. **Final Reports Not Submitted Timely**

**Condition** – The audit noted the final reports for project numbers 2005219, 2005221 and 2005228 were not timely submitted to MDNR within thirty days from the project completion date as stated in the FAA. These reports were submitted 117 days subsequent to the due date.

**Criteria** – 10 CSR 80-9.050(3)(C) states, “The District shall submit to the department a final report for each project, within thirty days of the project completion date as stated in the financial assistance agreement...”

**Effect** – The required status reports were not received by MDNR on a timely basis.

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

**Recommendation** – We recommend that the District implement procedures to ensure that final reports are timely submitted to MDNR within thirty days from the project completion date as stated in the FAA.

**District Response** – The District will work to ensure that all final reports are submitted to MDNR within the required deadline.

8. **Subgrantee Reports Not Submitted Timely**

**Condition** – The audit noted the following quarterly reports were not timely submitted by the subgrantees to the District within thirty days from the end of the quarter:

- The quarter ended September 30, 2005 report was submitted in 34 days for project number 2005219.
- The quarter ended March 31, 2006 report was submitted in 34 days for project number 2005219.
- The quarter ended June 30, 2006 report was submitted in 55 days for project number 2005219.
- The quarter ended September 30, 2006 report was submitted in 46 days for project number 2006008.
- The quarter ended December 31, 2006 report was submitted in 105 days for project number 2006008.
- No quarterly reports were filed by the subgrantee for project number 2006012.

**Criteria** – The subgrantee FAA states “The recipient agrees to administer these funds in accordance with: B. DNR Solid Waste Management Program Guidelines.”

Additionally, MDNR Guidance Document for Solid Waste Management District Grants states, “Quarterly status reports shall be submitted to the department’s SWMP for

activities that occur during each calendar year quarter thirty days following the reporting period.”

**Effect** – The District is not able to properly evaluate the progress of projects funded with grant funds.

**Cause** – Subgrantees did not timely report to the District as required by the FAA.

**Recommendation** – We recommend the District take measures to ensure that subgrantees submit quarterly progress reports timely in accordance with the FAA and MDNR guidance.

**District Response** – The District deals with many issues related to subgrantee reporting and no funds are distributed until adequate reporting is received by the District. Additionally, applicants are penalized for late reports on future grant proposals. The District will continue to make improvements in the area of subgrantee reporting.

9. **Lack of Adequate Support Documentation Provided by the Subgrantee**

**Condition** – The review of project number 2005221 noted that the subgrantee did not provide to the District original invoices for utility and phone expenses allocated to the project.

**Criteria** – MDNR General Terms and Conditions, I.A. states, “The subgrantee shall report project expenses and submit to the MDNR original invoices for payment as required by division/program per the subgrant agreement.”

Additionally, the FAA between the District and the subgrantee states, “All project expenses shall be supported by adequate documentation, e.g., accounting payroll records, paid invoices, paid receipts, cancelled checks, and employee timesheets.”

**Effect** – Grant project expenses were reimbursed to the subgrantee by the District without the proper source documentation.

**Cause** – The cause was an administrative oversight by the District.

**Recommendation** – We recommend that the District implement procedures to ensure that subgrant reimbursements are made only upon receipt of proper source documentation for project expenses as required by the FAA and MDNR General Terms and Conditions.

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

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

**Condition** – A UCC Financing Statement to document the property lien on newly purchased equipment under project numbers 2006011 and 2006013 was not completed and filed with the Secretary of State in a timely manner. The UCC filings have not been filed to date for this equipment which was purchased in December 2006 and October 2006, respectively.

**Criteria** – MDNR Special Terms and Conditions state, “The subgrantee hereby grants to the District, its successors and assigns a security interest in all equipment purchased for \$5,000 or more, in whole or in part, with SWMF monies. ...The security interest of the District shall decrease at a rate of 25% per year, beginning on the start date of the project period as set forth in the financial assistance agreement between the District and the subgrantee. ...It is the responsibility of the District to obtain the UCC-1 forms and meet all requirements regarding their use.”

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

**Cause** – The District was unaware of all the requirements pertaining to the UCC-1 filing. The District’s procedure is to file the UCC-1 subsequent to the expiration of the FAA.

**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 agreed with the finding and recommendation.

## 11. **Utilization of Subgrantee Equipment**

**Condition** – The review of project number 2006005 noted that a district grant funded site improvement for a concrete dumpster pad installed in 2006 was showing premature signs of wear such as cracking and developing potholes which was the reason stated for replacing the dumpster pad in the FAA between the District and the subgrantee. Additionally, this problem was not noted in the quarterly reports submitted to the District by the subgrantee. Consequently, MDNR and the District were unaware of the deteriorating condition of the concrete dumpster pad.

**Criteria** – MDNR General Terms and Conditions, I.H.2.a. states, “Subgrantee must maintain property records that include a description of the equipment, a serial number or other identification number, the source of property, the acquisition date, cost of the property, and the location, use and condition of the property...d. Subgrantee must develop adequate maintenance procedures to keep the property in good condition.”

Additionally, 10 CSR 80-9.050(3)(B)1 states, “The district shall submit to the department, at the end of each state fiscal quarter, a report which contains the following for each project in progress:

- A. The details of progress, including the volume and weight in tons of waste diverted for each type of recovered material utilized in the project, if appropriate;
- B. Problems encountered in project execution;
- C. Budget adjustments made within budget categories, with justifications; and
- D. Other information necessary for proper evaluation of the progress of the projects.”

**Effect** – The District is at risk to reimburse MDNR for any district grant funds awarded which were not utilized for their intended purpose.

**Cause** – The subgrantee failed to report to the District the problems regarding the condition of the site improvement installed with district grant funds.

**Recommendation** – We recommend that the District be required to implement procedures to ensure that equipment and improvements purchased with district grant funds are kept in good condition by the subgrantee. Additionally, we recommend that any and all changes in project status be reported to MDNR on a quarterly basis and that these reports accurately reflect any problems with the project.

**District Response** – The District will not provide the subgrantee additional reimbursement until the condition of the concrete pad is corrected. Additionally, the District will work to ensure that quarterly reports submitted to the District by the subgrantee are complete and accurate.

**12. Decals Not Displayed on Equipment**

**Condition** – The review of project numbers 2006011 and 2006013 noted that equipment items purchased with district grant funds were not properly tagged with a Region E Solid Waste Management District identification decal.

**Criteria** – MDNR General Terms and Conditions, I.E.3. states, “Effective control and accountability must be maintained for all subgrantee cash, real and personal property, and other assets. Subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.”

**Effect** – There is a potential risk that equipment purchased with district grant funds will be used for unauthorized purposes or not properly maintained as required by the MDNR General Terms and Conditions.

**Cause** – The District was unaware of all the controls necessary to ensure that District equipment is adequately safeguarded. The District’s procedure is to tag the equipment subsequent to the expiration of the FAA.

**Recommendation** – We recommend that the District be required to timely affix a District identification decal to equipment purchased with district grant funds to ensure that District property is properly identified in accordance with MDNR General Terms and Conditions.

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

**REGION E**  
**SOLID WASTE MANAGEMENT DISTRICT**  
**KANSAS CITY, MISSOURI**

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

The prior audit was performed by an audit firm contracted by the MDNR for fiscal years 1992, 1993, 1994 and 1995. Of the 10 prior findings, 7 were implemented by the District and 3 were not implemented or partially implemented.

1. **FINDING – Accounting System Discrepancies**

**Condition** – The District’s accounting of grant expenditures did not match those records maintained by MARC program staff. The accounting records tracked expenditures by cost category while program records tracked expenditures by project or grant. No reconciliations between these two systems were apparent.

**Current Status** – A review and reconciliation is performed monthly to ensure consistency and propriety of data. Consider the finding resolved.

2. **FINDING – Grant Evaluation Form**

**Condition** – The District used a standardized evaluation form to score each district grant proposal submitted. However, the form did not contain all of the evaluation criteria required by statute. The two missing elements were the subgrantee’s ability to implement timely and selected financial ratios.

**Current Status** – The District uses the required evaluation criteria in review of subgrant proposals. Consider the finding resolved.

3. **FINDING – Grant Evaluation Process**

**Condition** – The evaluation form for district grants was prepared for each proposal in each fiscal year by a MARC staff member. The score and ranking of proposals were compiled and presented to the District board. However, in fiscal years 1994 and 1995 subgrant awards were not based on evaluation scores.

**Current Status** – Review of the District’s procedures for ranking and scoring proposals noted that the District maintains written procedures for evaluating, ranking and making funding decisions based on the required evaluation criteria and that all projects are funded based on their evaluation score. Consider the finding resolved.

4. **FINDING – Conflict of Interest**

**Condition** – The auditor noted that one of the members of the grant evaluation subcommittee was the director of an agency who received district grants. Another

subcommittee member was a project officer on a district grant. Appointments to the grant evaluation subcommittee were made without regard to potential conflicts of interest which may have existed.

**Current Status** – The District has implemented procedures to avoid conflicts of interest in the district grant evaluation process. Consider the finding resolved.

5. **FINDING – Reports Not Timely Filed**

**Condition** – The auditor noted that quarterly status reports and final reports to MDNR on the progress of district grants were not submitted on a timely basis. Additionally, two instances were noted in which final reports were not timely submitted by subgrantees to the District and one case where the auditor was unable to determine the date of submission of the subgrantee’s final report. In one other case, some of the quarterly reports did not contain all of the required elements.

**Current Status** – We noted several quarterly and final reports that were not timely submitted to MDNR. Additionally, we noted several untimely reports submitted by subgrantees to the District. See Finding Nos. 6, 7 and 8.

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

**Condition** – District grant funding received from MDNR was placed in a pooled interest-bearing account. MARC did not track the cash balances, nor the interest earned on SWMD funds. According to MARC staff, the interest income was used for general operating expenses of the agency.

**Current Status** – The District has implemented procedures for tracking interest income to ensure that it is properly allocated to respective funding sources. Consider the finding resolved.

7. **FINDING – Equipment Purchases**

**Condition** – The subgrant agreements were silent as to the title of equipment purchased with subgrant funds. MARC staff assumed that equipment belonged to the subgrantees. Equipment is not currently tracked on MARC’s inventory management system.

**Current Status** – The District has implemented procedures to properly manage and track equipment purchased with district grant funds. However, the audit noted instances in which the UCC Financing Statement was not timely filed by the District and equipment which was not properly tagged. See Finding Nos. 10, 11 and 12.

8. **FINDING – Grant Application Deficiencies**

**Condition** – Projects awarded for district grants had proposals which did not fully meet the department’s guidelines. As part of the audit, twelve district grants were sampled. In one case, the auditor noted that the date of the proposal was after the required due date. It was impossible to determine the date the proposal was received by the District in other cases. The auditor also noted one instance where the application did not contain

verification of necessary permits, one instance where the proposal did not include documentation showing the commitment for matching funds, and three instances where three prior years' financial statements and credit histories had not been provided.

**Current Status** – The District has implemented procedures to ensure that the receipt date is noted on each grant proposal application submitted to the District. Additionally, no instances were noted in which the grant proposal application was missing information required to be submitted by the subgrantee. Consider the finding resolved.

9. **FINDING – Payments to Subgrantees**

**Condition** – Of the twelve project files sampled, we noted two instances where subgrantees did not provide adequate supporting documentation of expenses incurred. In addition, we noted one instance where a subgrantee was paid for costs incurred prior to the contract date. In two other cases, the financial assistance agreements were not dated, which precluded our ability to verify that no costs were incurred prior to the contract date.

**Current Status** – Of the thirteen project files sampled, we noted one instance in which the subgrantee did not provide adequate supporting documentation of expenses incurred. See Finding No. 9.

10. **FINDING – Retainage Not Held**

**Condition** – Of the twelve project files sampled, the auditor noted cases where the 15% retainage was not held by the District prior to approval of the final report. In two other cases, the auditor was unable to determine from the project file documents whether proper funds were retained as required by MDNR regulation.

**Current Status** – The audit noted no instances in which the required 15% retainage was not held by the District prior to approval of the final report. Consider the finding resolved.

Region E Solid Waste Management District  
 Status of Subgrantee Awards  
 December 31, 2006

SCHEDULE III

Subgrant No.	Purpose	Awards		Unspent Funds
		Obligated	Unobligated	
2003171	MARC SWMD Plan Implementation	\$ 287,757.00	\$ -	\$ -
2004141	MARC SWMD Plan Implementation	105,594.00	-	-
2004143	MARC SWMD Outreach Project	40,000.00	-	-
2004144	MARC SWMD Status Report Strategies	27,350.00	-	6,693.00
2005000	2005 Grants Unallocated	-	98,348.00	98,348.00
2005219	Missouri Organic Recycling - Food Residuals	30,000.00	-	-
2005220	Habitat Restore - C&D Waste Grinding	9,000.00	-	-
2005221	Bridging the Gap - Environmental Education	18,500.00	-	-
2005222	City of Raytown - Recycling Center	2,500.00	-	-
2005223	City of Platte City - Recycling Education	2,596.00	-	-
2005224	Old Northeast - Recycling Project	19,860.00	-	-
2005225	MARC SWMD HHW Program	44,345.00	-	-
2005226	MARC SWMD Outreach	78,931.00	-	-
2005228	MARC SWMD Plan Implementation	164,180.00	-	-
2006000	2006 Grants Unallocated	-	16,984.00	16,984.00
2006001	Bridging the Gap - LEAP Project	35,000.00	-	1,694.00
2006002	Windswept Worm Farm - School Project	11,476.00	-	-
2006003	MARC SWMD Plan Implementation	261,103.00	-	-
2006004	Habitat Restore - Collection Truck	43,400.00	-	11,059.00
2006005	City Market - Waste Diversion Project	16,001.00	-	14,021.00

Region E Solid Waste Management District  
 Status of Subgrantee Awards  
 December 31, 2006

SCHEDULE III

<u>Subgrant No.</u>	<u>Purpose</u>	<u>Awards</u>		<u>Unspent Funds</u>
		<u>Obligated</u>	<u>Unobligated</u>	
2006006	Bridging the Gap - Green Event Recycling	\$ 3,425.00	\$ -	\$ 3,121.00
2006007	City of Lee's Summit - Recycling 101	14,176.00	-	13,663.00
2006008	Missouri Organic Recycling - Yard Waste	25,000.00	-	13,462.00
2006009	Paula Smolen - Simply Make a Difference	14,223.00	-	7,310.00
2006010	City of Raytown - Recycling Center	2,500.00	-	1,150.00
2006011	Planet Aid - School Program	14,360.00	-	3,482.00
2006012	KC Star - Rethink Redo Renew	19,012.00	-	19,012.00
2006013	Foundation Workshop - Paper/OCC Recycling	10,700.00	-	1,605.00
2006015	Boulevard Brewery - Glass Recycling Study	18,500.00	-	13,960.00
2006016	Bridging the Gap - Education Dissemination	6,000.00	-	2,356.00
2006017	NE KC Chamber of Commerce - Fall Festival	7,175.00	-	299.00
2006018	City of Harrisonville - Education	2,975.00	-	2,975.00
2006019	City of Parkville - Curbside Recycling Education	4,654.00	-	1,618.00
Unobligated Interest			77,545.00	<u>77,545.00</u>
District Fund Balance per the Quarterly Project Financial Summary Report				<u>\$ 310,357.00</u>

Region E Solid Waste Management District  
Cash Balance  
December 31, 2006

SCHEDULE IV

Cash	<u>\$310,357.00</u>
Total Account Balances	<u><u>\$310,357.00</u></u>

Region E Solid Waste Management District  
 Schedule of State Funding  
 Years Ended December 31, 2006 and December 31, 2005

SCHEDULE V

<u>Received</u>	<u>Total Amount</u>	<u>Type</u>
<u>Year Ended December 31, 2006</u>		
August 2006	\$93,493.00	District Grant
May 2006	<u>191,837.00</u>	District Grant
Total From MDNR in CY 2006	<u><u>\$285,330.00</u></u>	
<u>Year Ended December 31, 2005</u>		
November 2005	\$46,476.00	District Grant
October 2005	294,030.00	District Grant
August 2005	<u>60,096.00</u>	District Grant
Total From MDNR in CY 2005	<u><u>\$400,602.00</u></u>	