

Performance Audit Resolution
Region C – Northeast Missouri Solid Waste Management District
July 1, 2005 – June 30, 2007

1. Lack of Ordinance or Order to Join the Solid Waste Management District

Auditor Recommendation:

The District should contact the County Commission of Adair County to determine if an ordinance or order was prepared to join the District and obtain a copy of the document for its permanent file. If an ordinance or order was not adopted, the District should request the County Commission to adopt an ordinance or order.

District Response:

Adair County has been asked to research their files for the resolution or pass a new resolution.

SWMP Response:

We concur with the auditor's recommendation. The District requested we review our files to determine if a copy was available from our files. We did not locate a copy of the official Adair County document for joining Region C. The District and Adair County should take the steps necessary to obtain the required documentation and provide a copy to the Solid Waste Management Program (SWMP).

SWMP Recommendation:

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

- a. The District should take the steps necessary to obtain the required documentation from Adair County and provide a copy to the SWMP; and
- b. A copy of the signed Executive Board minutes reaffirming Adair County's participation in the district should be provided to the SWMP.

2. Executive Board/Council Meeting Minutes Incomplete and No Sunshine Law Policy

Auditor Recommendation:

We recommend that the District include in its public notice/agenda whether the Executive Board/Council meeting is open or closed to the public; the Executive Board/Council meeting minutes include the members absent and that the minutes are attested to by the Board Chairman or another board member. We also recommend the District adopt a written policy in compliance with the open meetings and records law as required by state law.

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District Response:

The District agrees we did not include this wording in the board meeting agenda/public notice. Beginning with our most recent meeting, September 18, 2008, that information is stated on our agenda/public notice. The District agrees we did not include those members absent in the minutes. Beginning with our most recent meeting, September 18, 2008, those members absent are also recorded in the minutes. The District agrees we have not had board meeting minutes attested to by a second person. Beginning with our most recent meeting, September 18, 2008, board meeting minutes will be signed by the Board Secretary or alternate and attested to by one board member. The District agrees we have no written policy for the open meeting and records law as required by RSMo Section 610.028.2. The district will develop and adopt such a policy.

SWMP Response:

We concur with the auditor's recommendation.

SWMP Recommendation:

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

- a. The Executive Board review and make needed amendments to the District's policy and related procedures to ensure the District's compliance with Chapter 610, RSMo commonly referred to as the "Missouri Sunshine Law". The District's procedures related to meeting notices, agendas, and minutes must include:
 - i. whether the meeting was opened or closed to the public, date, time and place of meetings; and
 - ii. The members present and absent from the meeting.
 - 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.
- 3. District's Quarterly Project Financial Summary Forms Not Accurately Prepared**

Auditor Recommendation:

The District properly prepare its quarterly financial reports by subgrant noting the receipts and disbursements from each grant funded by the MDNR and any carryover funds unobligated. The balances remaining in each subgrant should be reconciled to the total cash balance held by the District. Any unidentified funds must be obligated by the District during the next grant cycle.

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District Response:

The District was unaware that quarterly project financial summary reports did not reconcile to the cash balance in the bank account. A meeting with the MDNR SWMP has been scheduled in order to reconcile the noted reports.

SWMP Response:

We concur with the auditor's recommendation. Any balance remaining unidentified must be identified for the next grant cycle as district grant funding (i.e., state funds) as no records are available to support the funds were received from a source unrelated to the district grant process. The District will need to ensure in the future that all monies are adequately identified in the District's accounting records by source of funding (i.e., district grant funding, interest income, program income, or other).

(Note: A number of districts have had problems correctly reporting cash balances using the existing quarterly financial reporting form. The SWMP has established a workgroup including district planners to review the form and process for improvements.)

SWMP Recommendations:

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

- a. The Executive Board must ensure the district's accounting system is in compliance with 10 CSR 80-9.050(7)(B) which states, "An executive board receiving funds from the Solid Waste Management Fund for district grants shall themselves maintain, and require recipients of financial assistance to maintain, an accounting system according to generally accepted accounting principles that accurately reflects all fiscal transactions, incorporates appropriate controls and safeguards, and provides clear references to the project as agreed to in the Financial Assistance Agreement. Accounting records must be supported by source documentation such as cancelled checks, paid bills, payrolls, time and attendance records, contract, and agreement award documents."
- b. The Executive Board should review and amend the District's policy and related procedure to ensure the District's accounting system and internal controls are maintained at all times and are reviewed periodically for weaknesses in accordance with 10 CSR 80-9.050(7)(B) to ensure assets are adequately safeguarded and identified; and
- c. Modifications or the addition of District policies are required to be in writing and approved by the Executive Board and documented within the District's signed meeting minutes. Copies of any modifications or additions made to address this finding should be provided to the SWMP.

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4. Interest Income Not Timely Obligated

Auditor Recommendation:

We recommend that the District timely obligate the interest income remaining in its bank account to future grant projects.

District Response:

The District agrees interest income may not have been obligated to future projects in a timely manner. The District will establish policies to ensure that all funds are obligated in a timely manner.

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 Executive Board has reviewed and made amendments to the District's policy and related procedures to ensure that unobligated program income and interest income are timely obligated while maintaining a reasonable fund balance; and
- b. Any modifications to the District's policies made to address this issue were in writing and their approval by the Executive Board was documented within the District's signed meeting minutes. Please provide a copy of the approved policies and procedures to the SWMP for inclusion in our audit resolution file.

5. District Lien not Obtained on Vehicle

Auditor Recommendation:

We recommend the District have the title of the truck re-filed to include the District as lien holder. We also recommend the equipment inventory listing clearly disclosed those items where the security interest has expired.

District Response:

The District agrees items were not removed from the inventory listing after the 4 year period. The inventory listing will be updated to reflect only equipment within the 4 year security interest period. All items older than the 4 years will be released back to the subgrantee. The District agrees the truck purchased by Truman State University does not

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list the District as a lien holder, but instead had a UCC-1 filing. In the future, the District will take steps to assure all titled equipment list the District as the lien holder for 4 years after purchase.

SWMP Response:

We concur with the auditor's recommendation for appropriate filing of a lien on vehicles and other equipment licensed and titled by the Missouri Department of Revenue. We agree the District needs to include in their inventory listing documentation of when the security interest in capital assets has expired. We believe the decision to include on the inventory a complete listing of all capital assets including those with an expired security interest purchased with district grant funds is a local decision and is vested in the District's Executive Board.

SWMP Recommendation:

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

- a. The District should review and amend their current written policy and related procedures for filing of UCC Financing Statements to include completion of the District checklist noted in the District response; and determine the need for additional modifications to ensure accurate and timely filing of security instruments with the Secretary of State, Department of Revenue, or other agency dependent on the type of asset purchased;
- 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; and
- c. Upon development and implementation of the District checklist, please submit a copy of a completed checklist to the SWMP with the next District Quarterly Project Status Reports to document compliance.

6. Criteria for Evaluation of Grant Projects Not Inclusive of all Criteria Requirements

Auditor Recommendation:

We recommend that the District use all of the required criteria for proper evaluation of all grant proposals.

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District Response:

The District was unaware that 2 of the required criteria were not included on the ranking sheet. The District has placed the items on the ranking sheet and the new ranking sheet was approved at the September 18, 2008, meeting.

SWMP Response:

We concur with the auditor's recommendation.

SWMP Recommendations:

The SWMP recommends the District take the following action to resolve Finding #6:

- 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;
- b. The District should provide to the SWMP a copy of their modified evaluation form using all of the criteria required by rule; and
- c. Modifications to 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.

7. Ranking Sheets for 2006 Grants Incomplete and Possible Conflict of Interest

Auditor Recommendations:

We recommend that the District ensure ranking sheets are properly signed and dated and that the scores are accurately calculated. We also recommend that the District ensure that board members properly abstain from voting on approval of projects where there is a potential conflict of interest. The board minutes must reflect such abstention.

District Response:

The District agrees that ranking sheets were unidentified by board members. The District has revised the ranking sheet format to include a signature line, which will remove any doubt of any board member's involvement in one's own application, and the new ranking sheet was approved at the September 18, 2008, meeting. While the District agrees the minutes did not accurately note the abstention of a board member, the District assures that such abstention did take place. In the future, the District will adopt a policy that such votes be taken by roll call and that such roll call will be made a permanent attachment to the minutes.

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SWMP Response:

We concur with the auditor's recommendation.

SWMP Recommendations:

The District has indicated this recommendation has been implemented. Please provide a copy of the documentation for inclusion in the District's audit file and to allow for final resolution of Finding #7:

- a. The Executive Board has amended and approved the district's conflict of interest policy and a grant ranking form including a date and signature. We further recommend the District require annual disclosure statements by executive board members and staff for ease in identifying areas where potential conflict of interest might arise;
- b. The District's modifications to its' policies and procedures 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; and
- c. For the next grant cycle, we request the district submit to the SWMP, upon approval and signing by the board, a copy of the board meeting minutes for the meetings where grant awards are discussed and awarded as verification of the district's compliance with the conflict of interest procedures. A copy of the new grant ranking form including a date and signature line should be forwarded to the SWMP with the next quarterly status reports.