

Performance Audit Resolution
Solid Waste Management District "O"
July 1, 2005 through June 30, 2007

1. Sunshine Law Noncompliance

Auditor Recommendation:

We recommend that the District include in its public notice/agenda whether the Executive Board meeting is open or closed to the public; that the closed session minutes include the applicable subsection of the Sunshine Law for holding a closed meeting; and, that there is a full vote of the Executive Board when holding a closed meeting and such vote is documented in the minutes.

District Response:

We will correct the agenda and public notice beginning with the August 2008 meeting. We will add the specific subsection to the closed session minutes for the audit period and to all future closed sessions. The closed session held in June 2007 was a one time accidental omission. The closed session was to approve annual contracts for staff.

SWMP Response:

We concur with the auditor's recommendation.

SWMP Recommendations:

We understand the District has already taken steps to correct this finding. Please provide to the Solid Waste Management Program (SWMP), a copy of documentation of changes to the District's policies and procedures made to address the finding for inclusion in the District's audit file. If corrective action has not yet been taken, the SWMP recommends the District take the following action to resolve Finding #1:

- a. The Executive Board and Council will need to review and make amendments to its policies to ensure its public notices/agendas include whether the meetings are open or closed to the public, that closed session minutes include the applicable subsection of the Sunshine Law for holding such a closed meeting, and, that if there is a full vote of the Executive Board when holding a closed meeting, such vote is appropriately documented in the minutes; and
- b. Any modifications made to the District's policies and procedures to address this finding are in writing, approved by the board, and documented within the District's signed meeting minutes with copies provided to the SWMP.

Performance Audit Resolution
Solid Waste Management District "O"
July 1, 2005 through June 30, 2007

2. District's Bank Account Not Adequately Protected

Auditor Recommendation:

We recommend that the District ensure its bank account is adequately covered with FDIC or with collateral securities.

District Response:

This was corrected in June 2007.

SWMP Response:

We concur with the auditor's recommendation.

SWMP Recommendations:

We understand the District has already taken steps to correct this finding. If this is the case, please provide to the SWMP a copy of any changes made to the District's policies and procedures to address the finding for inclusion in the District's audit file. If corrective action has not yet been taken, the SWMP recommends the District take the following action to resolve Finding #2:

- a. The Executive Board should review their policy for monitoring cash balances to ensure the district bank account is maintained below the financial institution's insured limit; that financial institutions holding district cash assets are not related (FDIC limits coverage to \$250,000 between related institutions); or the District's cash assets are secured by pledges of sufficient collateral securities to adequately protect all district funds in the institution;
- b. The District should seek an agreement with the financial institution holding district funds when funds exceed the FDIC covered amount the institution immediately notifies the district. The District should consider entering into a written agreement with their financial institution; whereby, the institution is responsible not only for notifying the district, but also are responsible for taking immediate action to pledge securities sufficient to cover the full amount of District funds in the institution; and
- c. 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.

Performance Audit Resolution
Solid Waste Management District "O"
July 1, 2005 through June 30, 2007

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.

District Response:

The MDNR has stated this quarterly reconciliation is a problem with 19 of the 20 Solid Waste Management Districts and the problem appears to be the MDNR forms and procedures which are being modified. In the meantime, District O's cash balance has been 100% reconciled.

SWMP Response:

The districts have had problems correctly reporting cash balances using the existing quarterly financial reporting form and we are in the process of reviewing the form for changes.

SWMP Recommendations:

The District's staff has worked with SWMP to fully reconcile the quarterly financial status report. The SWMP modified the form and instructions for Fiscal Year (FY) 2009 and has established a workgroup to review the quarterly financial reporting process and assist in recommending modifications to improve the reporting process. Finding 3 is resolved.

4. Interest Income and Carryover Project Balances Not Timely Obligated

Auditor Recommendation:

We recommend that the District timely obligate the interest income earned and the balance available from carryover projects remaining in its bank accounts for future grant projects.

District Response:

District O staff worked with the DNR Grant Unit in the spring of 2007 to resolve if funds were interest income or "left over start up money." It was determined the

Performance Audit Resolution
Solid Waste Management District "O"
July 1, 2005 through June 30, 2007

\$42,809 was interest income and it, and unobligated closed out grant projects were awarded to grant projects in July 2007.

SWMP Response:

We concur with the auditor's recommendation.

SWMP Recommendations:

The District has indicated this recommendation has been implemented. Please document the following actions to fully 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 and Subgrantee Equipment Inventory Records Incomplete

Auditor Recommendation:

We recommend that the District ensure equipment items are properly identified with an inventory tag or other permanent marking. We also recommend the equipment inventory listing include the serial number or identification number and the location of the equipment item.

District Response:

The sticker tags will be redesigned and attached to all property on the District O inventory and all future inventory equipment. Individual grant files do contain this information, but it has not also been contained in the inventory record. It will be added to the inventory record.

SWMP Response:

We concur with the auditor's recommendation.

Performance Audit Resolution
Solid Waste Management District "O"
July 1, 2005 through June 30, 2007

SWMP Recommendations:

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

- 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;
- b. During FY 2009, the District should provide to the SWMP a copy of a physical inventory including physical asset tag numbers and the location of the equipment item 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.

6. Annual Statements of Use of Equipment Not Filed by Subgrantees

Auditor Recommendation:

We recommend that the District require an annual statement from each subgrantee certifying that the use of the equipment bought with district grant funds is for project activities.

District Response:

District O will obtain this statement from all open and future 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 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 the SWMP a copy of the FY2009 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.

Performance Audit Resolution
Solid Waste Management District "O"
July 1, 2005 through June 30, 2007

7. UCC-1 Security Interest Forms Not Filed by the District or Subgrantees

Auditor Recommendation:

We recommend that the District ensure that the subgrantees file the required UCC-1 forms, liens on Department of Revenue titles, deeds of trust or other security instruments for equipment purchases or the construction of buildings or site improvements for \$5,000 or more as required under the Special Terms and Conditions for the District Grants.

District Response:

A UCC-1 form will be filed on the 5 items and on all future grant funded equipment purchased for \$5,000 or more and not requiring a lien on a title.

SWMP Response:

We concur with the auditor's recommendation.

SWMP Recommendations:

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

- 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.

8. Proof of Insurance on Capital Assets Not Obtained

Auditor Recommendation:

We recommend that the District obtain insurance coverage documentation from the subgrantees for all equipment, buildings, and site improvements purchased or constructed with SWMF monies.

District Response:

This was an oversight. Both Rogersville and Webster County (the subgrantee for the Marshfield Recycling Center) will furnish the District this information.

Performance Audit Resolution
Solid Waste Management District "O"
July 1, 2005 through June 30, 2007

SWMP Response:

We concur with the auditor's recommendation.

SWMP Recommendations:

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

- a. The Executive Board should review and make any needed amendments to the District's policy and related procedure to ensure all sub-grantees are required to submit proof of insurance on equipment, buildings, or site improvements purchased with district grant funds prior to reimbursement being made;
- b. Modifications or the addition of District policies are 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. During FY09, the District will submit copies of the proof of insurance provided by sub-grantees to the SWMP along with the District's Quarterly Project Status Reports to document compliance.

9. 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.

District Response:

The District realized this error in January 2008. The three missing criteria were added in February 2008, and all 2008 District grant applications were reevaluated with the corrected criteria sheet in February 2008.

SWMP Response:

We concur with the auditor's recommendation.

SWMP Recommendations:

We understand the District has already taken steps to correct this finding. Please provide to the SWMP, a copy of any changes made to the District's policies and procedures to address the finding for inclusion in the District's audit file. If corrective action has not

Performance Audit Resolution
Solid Waste Management District "O"
July 1, 2005 through June 30, 2007

yet been taken, the SWMP recommends the District take the following action to resolve Finding #9:

- 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 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.