

Final Audit Finding Resolution
Region B- North Missouri Solid Waste Management District
July 2007

1. Composition of the Executive Board.

Auditor Recommendation:

We recommend that the district be required to immediately establish an executive board. Since the district has recently implemented an eleven member Executive Board, an alternative management structure will need to be adopted which the district plans to establish at an upcoming meeting of the Board.

District Response:

The district agreed with our finding and recommendation.

SWMP Response:

The Solid Waste Management Program (SWMP) agrees with this recommendation.

SWMP Recommendation:

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

- a. The Council should immediately take the steps necessary to establish an Executive Board including any modifications that may be needed to the Council's bylaws;
- b. The district should provide to SWMP a listing of the members of the Executive Board to SWMP with submission of the next quarterly Financial Summary form; and
- c. Modifications made to the district's bylaws, policies and any related procedures should be in writing and approved by the Council and documented within the district's signed meeting minutes.

2. Board of Director Minutes.

Auditor Recommendation:

We recommend that the district be required to immediately adopt all required forms of documentation as stipulated by the Missouri Sunshine Law and the Joint Powers Agreement. We also recommend that the district inform all Board of Directors; that they must be active and participative; this will aid in establishing a legitimate quorum at the quarterly meetings.

District Response:

The district agreed with the finding and recommendation.

SWMP Response:

The SWMP agrees with this recommendation.

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SWMP Recommendation:

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

- a. The Council or Executive Board should modify the by-laws and develop and implement a written policy identifying the district's procedure related to Council and Executive Board members. Specifically, these changes should result in the monitoring of qualifications, terms, vacancies, and attendance records including the actions to be taken when excessive absences are recorded;
- b. 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 taking of minutes and release of information on any meeting, record, or vote; 2.) The requirement for a quorum to be present to allow for district business to be conducted; and 3.) the requirement for publicizing the date, time and place of open Council or Executive Board meetings to the public; and
- c. Modifications made to the district's by-laws, policies and any related procedures should be in writing and approved by the Council or Executive Board and documented within the district's signed meeting minutes.

3. Failure to Adopt Bylaws and Conduct Quarterly Meetings

Auditor Recommendation:

We recommend that the district be required to create a set of bylaws immediately and submit them to Department of Natural Resources (DNR) to demonstrate compliance with RSMo Section 260.320 and the Joint Powers Agreement in order to govern the manner in which its business may be transacted. Additionally, Board meetings should be held on a quarterly basis in order to keep an active and resourceful district.

District Response:

The District agreed with the finding and recommendation.

SWMP Response:

The SWMP agrees with this recommendation.

SWMP Recommendation:

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

- a. The Council should develop and adopt bylaws in accordance with the Joint Powers Agreement, Article 6, Section 2 and in compliance with RSMo Section 260.320;
- b. The Council should meet in accordance with their Joint Powers Agreement, Article 8, Section 6;
- c. During FY08, the Council should provide to SWMP a copy of their bylaws upon adoption and Quarterly Council Meeting Minutes with the district's submission of the quarterly Financial Summary form;

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- d. Adoption of the Council's Bylaws should be in writing and approved by the Council and documented within the district's signed meeting minutes.

4. Bank Reconciliations.

Auditor Recommendation:

We recommend that the district be required to reconcile bank statements on a timely basis, and the person performing the reconciliations initial the reconciliation to verify that, to their knowledge, it was performed timely and accurately. Additionally, we recommend that the district reconcile the 6/30/05 and 6/30/06 cash balances per the bank reconciliation to the official accounting records. In the future, the district should perform this reconciliation monthly. The district should also maintain documentation of any adjustments to the accounting system. Additionally, the bank reconciliation should be reconciled to the Quarterly Project Financial Reported submitted to DNR.

District Response:

The district agreed with the finding and recommendation and will implement procedures to complete the bank reconciliations on a timely and accurate basis. Additionally, they agreed to reconcile the bank statements to the district's accounting record to ensure that the bank reconciliation will agree with the accounting system.

SWMP Response:

The SWMP agrees with this recommendation.

SWMP Recommendation:

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

- a. The Council or Executive Board should amend the district's policy and related procedures to strengthen accounting system internal controls including timely and accurate completion of the district's monthly bank account reconciliations;
- b. The Executive Board should monitor and make modifications to the district's accounting system to ensure compliance with the Joint Powers Agreement, Article 13. The agreement states the district shall keep correct and complete books and records of account. Further, DNR's General Terms and Conditions 1.E.3 states, "Effective control and accountability must be maintained for all subgrantee cash, real and personal property and other assets." Additionally, the Executive Board should periodically monitor the monthly bank reconciliation process. The Board should give particular attention to a process for authorizing and approving any adjustments required to reconcile the district's bank statements to the general ledger. The process should ensure reasons for such adjustments are adequately documented in the accounting records and are approved and included in the district's meeting minutes, as applicable;
- c. The district should immediately take action to reconcile the 6/30/05 and 6/30/06 cash balances per the bank reconciliation to the district's official accounting records and provide a copy of these reconciliations to SWMP; and

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- d. Modifications or the additions 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.

5. Untimely Filing of UCC Financing Statement

Auditor Recommendation:

We recommend that the district be required to implement procedures to ensure that the district is in compliance with Special Terms and Conditions pertaining to the timely filing of UCC Financing Statements.

District Response:

The district agreed with our finding and recommendation, this was completed and filed on 10/17/06.

SWMP Response:

The SWMP agrees with this recommendation.

SWMP Recommendation:

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

- 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.

6. Grant Evaluation Form (Repeat Finding).

Auditor Recommendation:

We recommend that the district evaluation form be revised to include all criteria required by state regulations.

District Response:

The district agreed with our finding and recommendation, and will implement procedures to ensure that these items are reviewed as part of the grant proposals.

SWMP Response:

The SWMP agrees with this recommendation.

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SWMP Recommendation:

This issue was cited in the previous audit report for fiscal years beginning June 30, 1992, through June 30, 1995. Only eight criteria were used for 1994 grants and nine for 1995 grants. Corrective action taken by the district did not adequately address the concern related to the district evaluating grant proposals including all of the evaluation criteria required by statute.

The SWMP recommends the district take the following actions 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 SWMP a copy of their modified evaluation form using all of the criteria required by statute; and
- c. Modifications to any district policies to bring the district into compliance should be in writing and approved by the Council or Executive Board and documented within the district's signed meeting minutes.

7. Reports Not Timely Filed.

Auditor Recommendation:

We recommend that the district be required to submit its reports to DNR within the time limits allowed by state rule, and that they maintain the signed and dated reports and submit a copy to the DNR.

District Response:

The district informed us that they do not make copies of the quarterly reports after they have been signed and dated; however, they would institute steps to identify their compliance in the future.

SWMP Response:

The SWMP agrees with this recommendation.

SWMP Recommendation:

- a. The district should review and amend the current written policy and related procedures for filing reports with DNR to ensure timely completion and maintenance of copies of quarterly and final (i.e., signed and dated) reports by the district; and
- b. 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.

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8. Equipment Management – Restricted to Subgrantees Only (Repeat Finding).

Auditor Recommendation:

We recommend that all required items be maintained in the property records and that a physical inventory of property be taken and the results reconciled with the property records at least once every two years in accordance with DNR General Terms and Conditions.

District Response:

The district agreed with the finding and recommendation and will implement procedures to ensure that a physical inventory of property is taken and reconciled to the property records at least once every two years. Additionally, the district will update its property records to ensure that all items required are maintained in the property records.

SWMP Response:

The SWMP agrees with this recommendation.

SWMP Recommendation:

This issue was cited in the previous audit report for fiscal years beginning June 30, 1992, through June 30, 1995. Corrective action was not taken by the district to address the concern.

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

- 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, I.H.;
- b. During FY'08, the district should provide to SWMP a copy of a physical inventory 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.

9. Allocation of Grant Funds.

Auditor Recommendation:

We recommend the district be required to implement procedures that time and effort be reported properly to allocate salaries between the Regional Planning Commission and the Solid Waste Management District.

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District Response:

The district agreed that time reporting procedures should be implemented to clearly demonstrate the allocation of salaries between the two divisions.

SWMP Response:

The SWMP agrees with this recommendation.

SWMP Recommendation:

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

- a. 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. Also, the district should establish appropriate allocation methods for shared costs to various programs operated by the district;
- b. The district should provide a copy to SWMP of their allocation methodology for shared costs to allow for verification of the district's compliance with 10 CSR 80-9.050(4)(B). Specifically, the district should provide information detailing time and effort allocations between the district and the Planning Commission and justification for the process used;
- c. During FY08, the district should submit to SWMP documentation detailing the time allocations between the district and the Planning Commission with the quarterly Financial Summary form; and
- d. Modifications or the addition of any district policies, procedures, and processes 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.