

INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES

**SOUTHWEST MISSOURI SOLID WASTE  
MANAGEMENT DISTRICT N  
MONETT, MISSOURI**

FOR THE PERIOD JANUARY 1, 2006 THROUGH  
DECEMBER 31, 2007

Received  
MAY 01 2009  
SWMP

**RECEIVED**

APR 23 2009

**DAS ACCOUNTING**

SOUTHWEST MISSOURI  
SOLID WASTE MANAGEMENT DISTRICT N  
MONETT, MISSOURI

TABLE OF CONTENTS

	<u>Schedule</u>	<u>Page</u>
History and Organization		1
Independent Accountant's Report on Applying Agreed-Upon Procedures		3
Schedule of Findings and Questioned Costs	I	6
Schedule of Prior Audit Findings	II	15
Schedule of Status of Subgrant Awards	III	19
Schedule of Cash Balance	IV	20
Schedule of State Funding	V	21

RECEIVED BY  
MAY - 4 2009  
SWMP OPERATIONS

SOUTHWEST MISSOURI  
SOLID WASTE MANAGEMENT DISTRICT N

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 solid waste management 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 region, made possible with monies from the Solid Waste Management Fund through the Missouri Department of Natural Resources (MDNR).

The Southwest Missouri Solid Waste Management District N (Region N SWMD or the District) was formed pursuant to RSMo, 260.305 and was officially recognized by the MDNR in February 1992. The District is comprised of the following counties: Barry, Dade, Lawrence, Stone and Taney and comprised of the following cities within those counties: Merriam Woods Village, Indian Point Village, Marionville, Verona, Purdy, Seligman, Crane, Forsyth, Greenfield, Exeter, Wheaton, Pierce City, Miller, Mt. Vernon, Holister, Monett, Cassville, Branson, Lockwood, Kimberling City and Aurora. 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 the five county region 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 employs one individual. Region N SWMD's management structure is comprised of a Management Council consisting of 31 members and an Executive Board consisting of ten members. The Management Council is comprised of two representatives from each County Commission and one member at large from each city with a population greater than 500. The Executive Board is comprised of one member of each County Commission and one at large member from each county. Terms of representatives shall be two years that can be recertified by their appointive authorities at the end of their term. Each appointee has a duly authorized alternate who has the absolute authority to represent and vote in the case of the absence of the principal appointee.

Management Council members (as of December 31, 2007):

- George R. Quest Jr. – City of Kimberling City
- Dan Broyles – City of Aurora
- Chuck Pennel – Taney County Commission
- Angela Leist – City of Merriam Woods Village
- Betty Fier – Indian Point Village
- Floyd Wood – City of Marionville
- Darlene Berger – City of Verona
- Ted McIntire – City of Purdy
- Kari Short – City of Seligman
- Leah Estes – City of Crane
- Chris Robertson – City of Forsyth
- Steve White – Stone County Commission
- Danny Strahan – Taney County Commission
- Jim Lyons – City of Greenfield
- Doug Keeler – City of Exeter
- Bob Lombard – City of Wheaton
- John Archer – City of Pierce City
- Rodney Barnes – Lawrence County Commission
- Allan LaSalle – City of Miller
- Bill Marshall – Dade County Commission
- Earl Dotson – Lawrence County Commission
- Steve Helsper – City of Mount Vernon
- Cherry Warren – Barry County Commission
- Frank Washburn – Barry County Commission
- Trent Bowers – City of Holister
- Carolyn Easley – City of Monett
- Kelly Paul – City of Cassville
- Larry VanGilder – City of Branson
- George Cutbirth – Stone County Commission
- Eugene Stump – Dade County Commission
- Fred Lemons – City of Lockwood

Executive Board members as of the end of the audit period at December 31, 2007, are listed below. All board members are still officers or members as of September 26, 2008.

- Dan Broyles – City of Aurora
- Bill Marshall – Dade County Commission
- George Beach, Vice Chairman – City of Kimberling City
- Larry VanGilder, Chairman – City of Branson
- George Cutbirth – Stone County Commission
- Chuck Pennel – Taney County Commission
- Carolyn Easley – City of Monett
- Cherry Warren – Barry County Commission
- Fred Lemons – City of Lockwood
- Sam Goodman, Treasurer – City of Pierce City

McBRIDE, LOCK & ASSOCIATES

INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED UPON PROCEDURES

Missouri Department of Natural Resources  
and  
Southwest Missouri Solid Waste Management District N  
Monett, 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 Southwest Missouri Solid Waste Management District N's compliance with state law, regulations, and policies, for the period January 1, 2006 through December 31, 2007. 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 *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 structure, 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. 15.

2. **Minutes of Meetings.** We reviewed all minutes of the meetings for the Council and the Executive Board 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 Nos. 1 and 2.

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

**Findings:** See Finding Nos. 3, 10, 12, and 13.

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

**Findings:** See Finding Nos. 3, 4, 10, and 14.

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:** See Finding Nos. 3 and 12.

6. **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 on Lobbying;
- Program Income;
- Equipment Management;
- Prior Approval for Publications;
- Audit Requirements;
- Recycled Paper; and
- Contracting with Small and Minority Firms.

**Findings:** See Finding Nos. 8, 9, and 11.

7. **District Administrative Grant.** We reviewed the expenditures of carryover from FY 2004 district administrative grant funds for proper close-out of the grant. (These funds were discontinued in FY 2005.)

**Findings:** None.

8. **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;
  - Region N, Plan Implementation District-wide – N 2006-06
  - Exeter R-VI School, Recycling Building – N 2006-07
  - Purdy School, Baler Purchase – N 2006-08
  - Region N, HHW Collections District-wide – N 2007-01
  - Wilderness Club, Recycling Trailer Purchase – N 2007-02
  - City of Monett Recycling Center, Lift Truck Purchase – N 2007-03
  - Region N, Plan Implementation District-wide – N 2007-04

**Findings:** See Finding Nos. 5, 6, 7, and 13.

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 Southwest Missouri Solid Waste Management District N 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

September 26, 2008

**SOUTHWEST MISSOURI  
SOLID WASTE MANAGEMENT DISTRICT N  
MONETT, MISSOURI**

Schedule of Findings and Questioned Costs  
For the Two Calendar Years Ended December 31, 2007

**1. Failure to Comply with Sunshine Law**

**Condition** – The following was noted in reviewing the Executive Board and Council minutes during the audit period. Minutes for 5 Executive Board meetings and 1 Council meeting were tested.

- a. Notices were not dated; therefore, it could not be determined if they were posted 24 hours in advance of the actual meeting (6 out of 6 occurrences).
- b. Council meeting notice did not include whether the council meeting was open or closed to the public (1 out of 6 occurrences).
- c. Notice did not include a tentative agenda for Executive Board meetings (5 out of 6 occurrences).
- d. One notice indicated the Executive Board meeting would be held at a different location than it was actually conducted (1 out of 6 occurrences).
- e. Minutes did not include “yea” and “nay” votes when roll call is taken (6 out of 6 occurrences).

**Criteria** – RSMo Chapter 610 (commonly referred to as the Missouri Sunshine Law) requires the above mentioned items be documented in the minutes for each Executive Board or Council meeting. In addition, the correct location of all meetings must be noted on public notices.

**Effect** – The District failed to comply with RSMo Chapter 610. The minutes are the official report made of the transactions or proceedings of the Executive Board and Council and are a permanent record; thus, they should be complete and accurate.

**Cause** – The District was unaware of the 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 stated, “The District will comply with the Sunshine Law.”

2. **Executive Board and Council Did Not Meet as Required**

**Condition** - The Executive Board did not conduct a meeting in August 2006 and January, May, July, and September of 2007. In addition, the Council did not have enough members attend for a quorum at their annual meeting in 2007.

**Criteria** – The District bylaws state, “The Council’s powers and duties are to: meet at least once annually...” and “The Board shall meet monthly unless a need for cancellation occurs due to weather or lack of a quorum or a vote of the Board at a previous meeting.”

**Effect** – The District is not in compliance with its own bylaws.

**Cause** – The District Council and Board did not meet as required by the bylaws.

**Recommendation** – We recommend that the District comply with the bylaws requirements concerning meetings and adequately document reasons for cancelled Executive Board meetings.

**District Response** – The District stated, “The District agrees and will correct.”

3. **Payroll Procedural Controls Inadequate**

**Condition** – The following items were noted in review of the payroll process.

- 9 of 10 payroll checks reviewed were issued before the corresponding pay period ended.
- 2 of 10 timesheets (pay period ending 3/24/06 and 11/30/07) reviewed had incomplete or inaccurate compensatory time tracking. These variances were of immaterial amounts.

**Criteria** – MDNR General Terms and Conditions I.E.3. state “Internal Control. 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** – The District does not have strict controls over the payroll function.

**Cause** – The District Executive Board was unaware of the accounting/auditing policy concerning issuance of checks before pay period end. Variances in compensatory time were due to clerical errors.

**Recommendation** – We recommend that the District disburse paychecks only after the pay period end and that compensatory time tracking is reviewed by a Board member.

**District Response** – The District stated “The District needs to know what payroll sheets that need to be corrected.”

4. **Personnel Files Incomplete**

**Condition** – The District does not maintain personnel files to include required information such as W-4 and I-9 documentation.

**Criteria**- MDNR Special Terms and Conditions state “Audits or examinations must confirm that records accurately reflect the operations of the district, the internal control structure provides reasonable assurance that assets are safeguarded, and district is in compliance with applicable laws and regulations.”

**Effect** – The District did not maintain required personnel documentation.

**Cause** – The District could not locate the documents.

**Recommendation** – We recommend the District maintain a personnel file with required documentation.

**District Response** – The District stated “The W-4 documentation was found and the District has filled out I-9 documentation.”

5. **Incomplete Security Interest**

**Condition** – The security interest document provided to the District for grant N2006-07 did not include all the necessary information. It referenced equipment purchased; however, the grant funded construction of a building. Additionally, it did not include the dollar amount of the security interest or any reference to the Financial Assistance Agreement.

**Criteria** – MDNR Special Terms and Conditions state, “Security Interest or Lien. The sub-grantee shall grant to the district, its successors and assigns a security interest or lien in all buildings or site improvements purchased or constructed for \$5000 or more, in whole or in part, with SWMF monies. The sub-grantee shall sign the financing statement (form UCC-1) included in his financial assistance agreement packet and return the form along with the financial assistance agreement to the district for processing. Said security interest or lien shall be equivalent to the amount of funding provided by the district.”

**Effect** – The District risks the subgrantee transferring, selling, or pledging the District’s security interest as collateral.

**Cause** – The District was not aware that the security interest document was not adequate.

**Recommendation** - We recommend that the District create a security interest document that adequately identifies the District’s interest.

**District Response** – The District stated “District agrees to comply.”

6. **UCC Financing Statement Not Filed**

**Condition** – A UCC-1 form for project N2007-02 has not been filed.

**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.”

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

**Cause** – The subgrantee has been delinquent in filing a UCC-1 form.

**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 stated “District agrees and will comply.”

7. **Procedures for Closing Grants Inadequate**

**Condition** – For grant N2006-07, the end date per the Financial Assistance Agreement was June 30, 2007; however, the final report was not submitted until October, 2007. In addition, grant N2007-02’s final report indicates the project was completed and all the necessary documentation was received and approval of final payment was approved by the Board as well as a check issued. However, the District planner has held the check in the District lockbox for several months due to the subgrantee not yet properly completing the UCC-1 form. Furthermore, the District quarterly financial report indicates this subgrantee has been fully reimbursed for the project.

**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...” Additionally, final approval of projects should not be granted until all the necessary documentation is received from the subgrantee.

**Effect** – The Board granted approval of final payment to a subgrantee that had not provided the necessary documentation as stated in the Financial Assistance Agreement.

**Cause** – The late final report was an oversight by the District. The Board believed they could approve a final report and issue final payment pending receipt of the necessary paperwork.

**Recommendation** – We recommend the District timely file final reports with MDNR. Additionally, we recommend that Board approval of the final report and its accounting and issuance of the final check be done after all the necessary documents have been received from the subgrantee.

**District Response** – The District stated, “District agrees and will comply.”

8. **Property Lacking MDNR Identification as Funding Source**

**Condition** – District funded equipment lacked a MDNR sticker, or some other identification noting MDNR as a funding source.

**Criteria**- MDNR General Terms and Conditions I.H.2.c. states, “A control system must be developed to ensure adequate safeguards to prevent against loss, damage, or theft of the property.”

**Effect** – Equipment funded by MDNR is not identifiable.

**Cause** – The District was unaware of how to procure the necessary MDNR stickers.

**Recommendation** – We recommend the District place a MDNR sticker on all equipment purchased with MDNR funds.

**District Response** – The District stated, “These tags have been purchased and are in the process of being distributed.”

9. **Printed Materials Do Not Include MDNR as Funding Source**

**Condition** – All documents produced for public distribution did not have the chasing arrows symbol on at least one page of the document. In addition, 30% recycled paper is only used for reports submitted to MDNR.

**Criteria** – MDNR General Terms and Conditions I.U. states, “Recycled Paper. Consistent with Federal Executive Order 13101, the subgrantee shall use recycled paper consisting of at least 30% post consumer fiber for all reports which are prepared as part of this grant award and delivered to MDNR. The subgrantee must use recycled paper for any materials that it produces and makes available to any parties. The chasing arrows symbol representing the recycled content of the paper will be clearly displayed on at least one page of any materials provided to any parties.”

**Effect** – The District did not comply with MDNR General Terms and Conditions.

**Cause** – The District thought recycled paper only needed to be used for reports submitted to MDNR. The lack of the chasing arrows symbol was an oversight by the District.

**Recommendation** – We recommend that the District implement procedures to ensure that all printed materials distributed by the District or any subgrantee of the District have the chasing arrows symbol on at least one page of the document and that all reports consist of at least 30% recycled paper.

**District Response** – The District stated “District agrees and will comply.”

10. **Internal Control Weaknesses Related to Cash and Accounting Transactions**

**Condition-** The following deficiencies in internal controls were noted.

- The District does not issue written receipts for funds received other than MDNR funding and interest income.
- A Board member does not review the year end payroll tax information.
- The District does not have a written policy concerning stale dated checks.

**Criteria-** MDNR General Terms and Conditions I.E.3. states "Internal Control. 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** -- The District does not have effective internal controls over all cash handling functions.

**Cause** -- The District has only one employee and it is difficult to have a Board member perform all of the necessary functions to ensure a proper segregation of duties. In addition, the District was unaware that it was necessary to issue receipts for funds received.

**Recommendation** -- We recommend that the District implement procedures so that all cash handling and payroll functions performed by the District Coordinator are reviewed by a Board member and that cash receipts be issued for all deposits. Finally, the Board should adopt the policy of voiding stale dated checks after they have been outstanding 90 days.

**District Response** -- The District stated, "The District has purchased a receipts book and will issue one when receiving a check in the future. In the future one board member will review the year end payroll information. The District will provide a written policy concerning stale dated checks."

11. **Financial Audit Not Submitted Timely**

**Condition-** The District financial audit was not submitted to MDNR within 120 days of the District's year end. The financial audit for January 1, 2005 to December 31, 2006 was received by MDNR on August 29, 2007.

**Criteria** -- RSMo Section 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 and districts receiving less than two hundred thousand dollars of financial assistance shall have independent financial audits at least once every two years." MDNR Special Terms and Conditions also state, "The District will provide MDNR 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."

**Effect** – The District failed to comply with the above requirements. As a result, there is less assurance that financial reports fairly represent the financial position and results of operations of the District.

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

**Recommendation** – We recommend that the District implement procedures to ensure financial audits are completed and submitted to MDNR timely.

**District Response** – The District responded, "District will comply to the financial audit time line."

12. **Bank Collateralization Inadequate**

**Condition-** The District Money Market account often has a balance in excess of the FDIC insured coverage of \$100,000. However, the District has not assured the bank pledge securities as collateral for the amount of the balance that is not FDIC insured.

**Criteria-** MDNR General Terms and Conditions I.E.3 states "Internal Control, 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** – Funds held in excess of \$100,000 are susceptible to loss.

**Cause** – The District was unaware how to secure collateral through their financial institution.

**Recommendation** – We recommend the District takes steps to ensure bank balances in excess of FDIC are properly collateralized.

**District Response** – The District stated "Since the District has been audited the amount of money has been changed to \$250,000 instead of \$100,000."

13. **Grant Proposal Evaluation Criteria Incomplete**

**Condition-** The District's criteria for reviewing grant proposals lacked the following:

- Degree to which the project will adversely affect existing private entities in the market segment;
- Quality of budget; and
- Selected financial ratios.

**Criteria** – 10 CSR 80-9.050(2)(C)3 states the proposal evaluation method will include 19 specific criteria, including the three criteria listed above.

**Effect** – The Executive Board does not properly review and evaluate proposals submitted to the District.

**Cause** – The District was unaware that their current evaluation system did not contain all of the required criteria.

**Recommendation** – We recommend that the District implement a plan to ensure that the required criteria are included in the District's project proposal review and evaluation procedures.

**District Response** – The District stated "District will put the evaluation criteria into the next grant cycle."

14. **Inaccurate Quarterly Financial Summary Reports**

**Questioned Costs \$14,634**

**Condition** – Quarterly Project Financial Summary reports for the periods ending December 31, 2006 and 2007 were not prepared accurately and did not reconcile to total cash held by the District. The reconciliation of the District's cash balance at December 31, 2007 resulted in an unidentified balance of \$14,634.

**Criteria** – Section I.E. of the MDNR General Terms and Conditions requires that financial management systems of subgrantees meet certain standards. Section I.E.1. states, "Accurate, current, and complete disclosure of financial results must be made in accordance with the financial reporting requirements of the subgrant." The Special Terms and Conditions for District grants state, "Any funds awarded to a district which are not expended (or encumbered) for the purpose for which the funds were awarded, will be repaid by the district to the MDNR..." The Special Terms and Conditions also state, "Any district failing to provide timely and accurate quarterly reports will not be eligible to receive any further funding, and may be required to repay any and all disbursements of the SWMD."

**Effect** – The District is at risk to reimburse MDNR for any improperly expended funds and is also at risk for future funding allocations.

**Cause** – The District was not maintaining adequate grant project tracking records or adequate accounting records and was apparently unaware of proper procedures for completing the Quarterly Project Financial Summary reports.

**Recommendation** – We recommend that the District implement procedures to ensure that quarterly reports are prepared accurately. We also recommend the District prepare a revised financial report as of December 31, 2007 that accurately reflects subgrant awards and disbursements and reconcile remaining cash balances to the total cash held by the District. Additionally, the District should resolve questioned costs of \$14,634 with the MDNR.

**District Response** – The District stated “Concur and adopt. Grant accounting records are now being maintained to properly account for the quarterly financial summary reports.

15. **Management Structure Not Compliant With State Statutes**

**Condition** – The District’s management structure and bylaws are not compliant with state statutes.

The District has not adopted an alternative management structure. State statutes provide that executive boards will consist of seven persons. However, the District’s Executive Board is comprised of ten persons.

In addition, the bylaws, which have been updated in 2008, conflict with state statutes. The bylaws do not mention that an alternative management structure was adopted; however, the bylaws specify that the Executive Board will consist of ten members.

The District’s Council consists of two representatives from each member county and a representative from each city with a population of 500 or above, as specified in the District bylaws and allowed by state statutes.

**Criteria** – Section 260.300.3 RSMo states, “Counties may, for the purpose of managing districts, cooperate as provided in sections 260.300 to 260.345 or formulate an alternative management structure agreed to by each county in the district. A solid waste management district, regardless of how formed shall be governed by an executive board and comply with the provisions of sections 260.200 to 260.345.” Section 260.315.1 RSMo states, “There is hereby established a solid waste management council for each solid waste management district, except for those districts which formulate an alternative management structure pursuant to section 260.300.”

Section 260.315.4 RSMo states, “The council shall...(2) Select seven persons to serve on the executive board, at least a majority of who shall be selected from members of the council. The council shall establish the terms of office for members of the executive board.”

**Effect** – The District is not in compliance with Missouri statutory requirements regarding its management structure. Compliance with state law is a condition of grant award. Non-compliance places the District at risk for future awards.

**Cause** – The District indicated that it was their assumption that an alternative management structure was adopted even though no documentation was available to support adoption of an alternative management structure.

**Recommendation** – We recommend the District either adopt an alternative management structure or operate its management structure as prescribed in state statutes. The District should ensure its bylaws are in agreement with the state statutes and its management structure.

**District Response** – The District stated “Concur and adopt.”

**SOUTHWEST MISSOURI  
SOLID WASTE MANAGEMENT DISTRICT N**

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

The prior audit was conducted by the MDNR, Division of Administrative Support, Internal Audit Program for fiscal years 1993 through 1995. Of the 20 audit findings, 17 were implemented by the District and 3 were not implemented or partially implemented.

1. **FINDING – Inadequate Accounting Systems and Procedures**

**Condition** – The District does not have an effective system of internal controls over accounting functions.

**Current Status** – Certain conditions still exist concerning internal control over accounting functions. See Finding Nos. 3, 10, 12 and 14.

2. **FINDING – Improper Payment Reimbursed**

**Condition** – An error on the District Secretary's W-2 resulted in an overpayment of tax that was refunded by the IRS to the District Secretary totaling \$1,054. When this error was realized, the District Secretary had to obtain a loan to repay the IRS for the overpayment. The District Secretary incurred \$162.84 in interest and loan fees to acquire this loan. The District in turn used grant funds to reimburse the District Secretary for these costs. Grant funds should not be used to correct District errors, and thus are disallowed.

**Current Status** – This condition was not discovered during the current audit.

3. **FINDING – No Formal Evaluation Completed**

**Condition** – Required criteria was not used to evaluate proposals.

**Current Status** – This condition was also discovered during the current audit. See Finding No. 13.

4. **FINDING – Incomplete Proposals Accepted**

**Condition** – Proposals were approved which did not contain the proper elements.

**Current Status** – This was not discovered during the current audit.

5. **FINDING – No Financial Assistance Agreements**

**Condition** – No Financial Assistance Agreement (FAA) was completed between the District and MDNR for three 1993 grants.

**Current Status** – This condition was not discovered during the current audit.

6. **FINDING – District Grants Not Administered on a Reimbursement Basis**

**Condition** – The District grants have not been administered on a reimbursement basis. The District has given the subrecipient 85 percent of the grant amount before any expenditures were incurred and documented.

**Current Status** – This condition was not discovered during the current audit.

7. **FINDING – Quarterly Reports Not Submitted on Time**

**Condition** – Quarterly reports have not been submitted by the District to the MDNR office in a timely manner.

**Current Status** – This condition was not discovered during the current audit.

8. **FINDING – No Notices of Solicitation of Bids**

**Condition** – For the 1993 grant cycle, no copies were submitted to the MDNR documenting solicitation in area newspapers.

**Current Status** – This condition was not discovered during the current audit.

9. **FINDING – Contingency Funds Approved in Proposal**

**Condition** – The District Board approved the proposal for project number 93023 including \$667.20 in contingency funds.

**Current Status** – This condition was not discovered during the current audit.

10. **FINDING – No Written Permission for Changes to Budget**

**Condition** – The District Board moved funds from the equipment to incentives category without getting written permission from the MDNR or including this information in the quarterly reports.

**Current Status** – This condition was not discovered during the current audit.

11. **FINDING – Proper Documentation Not Required**

**Condition** – Proper documentation was not required from the subgrantee for projects 93022, 93023, and 95075. Additionally, project 93022 received incomplete documentation.

**Current Status** – This condition was also discovered during the current audit. See Finding Nos. 5 and 6.

12. **FINDING – Agreement Not Followed**

**Condition** – In project 93022 the District had an agreement with the City of Aurora that stated the recycling center funded by the District would remain open for 4 hours per week. However, the sign at the center indicated it was only open 3 hours each month.

**Current Status** – This condition was not discovered during the current audit.

13. **FINDING – Bins Incorrectly Marked**

**Condition** – Recycling bins indicated proceeds were donated to the United Way. However, the funds were in fact not donated to the United Way.

**Current Status** – This condition was not discovered during the current audit.

14. **FINDING – Project Started Before Start Date**

**Condition** – A feasibility study for the City of Branson was performed by a subcontractor. The contract between Branson and the subcontractor was signed February 14, 1995 but the project was approved by the District February 21, 1995.

**Current Status** – This condition was not discovered during the current audit.

15. **FINDING – Conflict of Interest**

**Condition** – Project number 95075 was a feasibility study for a composting facility in Branson, Missouri. The project manager is the Director of the City of Branson's Health Department and is also a District board member who voted on approval of the project.

**Current Status** – This condition was not discovered during the current audit.

16. **FINDING – Incorrect Allocation**

**Condition** – Project 95074 was a District plan implementation project which was considered a District-wide grant. This project was for \$45,485 which was 62.4 percent of the total District grant allocation for the Fiscal Year 1995. Only 60 percent is allowed to be allocated to District-wide projects.

**Current Status** – This condition was not discovered during the current audit.

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

**Condition** – Interest income was earned by the District in their savings account. The District did not report their interest income and the MDNR did not deduct the interest income from outlays.

**Current Status** – This condition was not discovered during the current audit.

18. **FINDING – Inadequate Documentation to Support Match**

**Condition** – The District used donated Board member hours as match for administrative grants in FY1994 and FY1995. Projected hours were used to calculate this match. Actual hours were never documented and submitted to prove the match.

**Current Status** – This condition was not discovered during the current audit.

19. **FINDING – No Approval for District Publications**

**Condition** – The District did not submit a draft copy of a brochure for approval by the MDNR as required.

**Current Status** – This condition was not discovered during the current audit.

20. **FINDING – Inadequate Monitoring of District Inventory**

**Condition** – The District had no formal policy regarding equipment control. An inventory of equipment purchased with grant funds has never been performed.

**Current Status** – This condition was not discovered during the current audit.

## SCHEDULE III

Southwest Missouri Solid Waste Management District N  
Status of Subgrantee Awards  
December 31, 2007

Subgrant No.	Purpose	Awards Obligated	Carried Forward	Total	Expenditures 2006 & 2007	Prior Years' Expenditures	Unspent Funds
200506	Region N Plan Implementation	\$ 30,000.00	\$ 336.90	\$ 30,336.90	\$ 30,336.90	\$ -	\$ -
2005102	Cedar Creek Fire Department	4,000.00	-	4,000.00	4,000.00	-	-
2005103	Village of Indian Point	4,888.00	-	4,888.00	4,888.00	-	-
2005104	City of Branson Baler	9,500.00	-	9,500.00	9,500.00	-	-
2005105	District Wide Collections	10,747.00	-	10,747.00	7,569.30	-	3,177.70
2005106	Kimberling City	1,381.59	-	1,381.59	1,381.59	-	-
2005107	Marck Ind. Forklift	14,483.41	2,393.35	16,876.76	16,876.76	-	-
200601	City of Weaton	-	2,200.00	2,200.00	1,910.00	-	290.00
200602	City of Branson Recycling Bins	-	3,070.00	3,070.00	-	-	3,070.00 *
200603	City of Branson Recycling Service	-	14,596.00	14,596.00	14,567.38	-	28.62
200604	Dade County HHW Collections	-	6,000.00	6,000.00	6,000.00	-	-
200605	City of Monett Recycling Baler	-	11,473.75	11,473.75	11,473.75	-	-
200606	Region N Plan Implementation	45,132.02	-	45,132.02	45,132.02	-	-
200607	Purdy School Recycling Project	13,300.00	-	13,300.00	13,300.00	-	-
200608	Exeter FFA/Student Council Recycling	24,380.63	-	24,380.63	24,380.63	-	-
200701	Region N Collections District Wide	45,000.00	-	45,000.00	10,734.03	-	34,265.97
200702	Wilderness Club Recycling Trailer Purchase	2,042.02	3,957.98	6,000.00	6,000.00	-	-
200703	City of Monett Lift Truck Purchase	9,500.00	-	9,500.00	-	-	9,500.00 *
200704	Region N Plan Implementation	44,242.00	-	44,242.00	27,436.18	-	16,805.82
	Subtotal	<u>\$ 258,596.67</u>	<u>\$ 44,027.98</u>	<u>\$ 302,624.65</u>	<u>\$ 235,486.54</u>	<u>\$ -</u>	<u>\$ 67,138.11</u>
	Unobligated Interest						2,730.44
	Unidentified / Unobligated Region N Funds (Note 1)						14,634.41
	Trailer Sale						2,805.00
	Trailer Maintenance						905.69
	Total District Cash Per Audit						<u>\$ 88,213.65</u>

Note 1: This amount represents the difference between cash per bank and identifiable unspent cash per project accounting records.

\* District quarterly reports indicate funds were disbursed on these projects, however, the checks are actually maintained in the District safe as noted in Schedule IV.

For Subgrant No. 200602, the held check is \$40 less than the total grant.

SCHEDULE IV

Southwest Missouri  
Solid Waste Management District N  
Cash Balance  
December 31, 2007

Cash (Checking)	\$ 15,041.23 *
Cash Recycling Trailer Maintenance	905.69
Cash (Money Market Account)	<u>\$ 72,266.73</u>
Total Account Balances	<u>\$ 88,213.65</u>

\* Note: This total includes two checks that have not been disbursed and are held in the District safe (check # 4184 \$9,500 and # 4212 \$3,030).

SCHEDULE V

Southwest Missouri  
 Solid Waste Management District N  
 Schedule of State Funding  
 Years Ended December 31, 2006 and December 31, 2007

<u>Received</u>	<u>Total Amount</u>	<u>Type</u>
<u>Year Ended December 31, 2006</u>		
March 9, 2006	\$45,132.02	District Grant
August 1, 2006	<u>\$37,680.83</u>	District Grant
Total From MDNR in 2006	<u><u>\$82,812.85</u></u>	
<u>Year Ended December 31, 2007</u>		
January 5, 2007	56,542.02	District Grant
February 21, 2007	<u>44,242.00</u>	District Grant
Total From MDNR in 2007	<u><u>\$100,784.02</u></u>	