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INDEPENDENT ACCOUNTANT'S REPORT
ON
APPLYING AGREED-UPON PROCEDURES

For the Operation of
Region R – Southeast Missouri Solid Waste Management District
Perryville, Missouri

For the Two Fiscal Years Ended June 30, 2007

Submitted To:

Department of Natural Resources

State of Missouri

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Marvin L. Wilson, CPA, LLC

230 W. DUNKLIN ST., SUITE 205 JEFFERSON CITY, MISSOURI 65101 Voice (573) 659-9190 Fax (573) 659-9193
marvinwilsoncpa@aol.com

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Missouri Department of Natural Resources
Jefferson City, Missouri
and
Region R – Southeast Missouri Solid Waste Management District
Perryville, Missouri

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We have performed the procedures enumerated below, which were agreed to by the Missouri Department of Natural Resources (DNR), solely to assist you in evaluating the effectiveness of the Region R – Southeast Missouri Solid Waste Management District's (the "District") compliance with state law, regulations, and policies, for the period July 1, 2005 through June 30, 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 the standards applicable to attestation engagements contained in Government Auditing Standards issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in this 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 DNR 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 Management Advisory Letter.

2. Minutes of Meetings. We reviewed all minutes of meetings for the Council and Executive Board for the engagement period and selected six meetings (at least one council meeting

and one executive board meeting) and completed Attachment 1 on Chapter 610 RSMo, the *Missouri Sunshine Law Compliance Checklist* to determine if meetings are documented as required.

Findings: See Finding No. 1.

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 Prior Findings.

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

Findings: See Management Advisory Letter.

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

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Findings: See Finding No. 3.

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 DNR 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 No. 4.

8. District Grants. We obtained a schedule of district grants from the DNR and completed the *Guidance Document for Solid Waste Management District Grants*. This included the review, evaluation and testing for the:

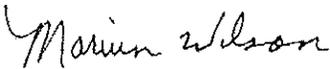
- Proposal Procurement Process;
- Proposal Review and Evaluation; and
- Awarded Projects.
 - Region R/Administration Grant – (R2006-01)
 - Region R/ Administration Grant – (R2006-02)
 - VIP Industries/Recycling – (R2006-04)
 - SFCEC/Trailer Update – (R2006-05)
 - Region R/ Administration Grant – (R2006-08)
 - Ste. Genevieve Co. Recycle Ct./Recycling – (R2007-02)
 - MO Department of Corrections-Farmington/Vermicomposting – (R2007-07)
 - Region R/District Operation – (R2007-09)

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Findings: See Findings No. 2, 4, and Management Advisory Letter.

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 R – Southeast Missouri 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.


 Marvin L. Wilson, CPA
 September 24, 2008

REGION R – SOUTHEAST MISSOURI SOLID WASTE MANAGEMENT DISTRICT
Perryville, Missouri

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 prevention or remediation of illegal dumps. To help achieve their goals, districts administer grants to public and private entities in their region, made possible with monies from the Solid Waste Management Fund through the Missouri Department of Natural Resources (DNR).

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Function:

Pursuant to Section 260.305.1 *Revised Statutes of the State of Missouri (RSMo)*, the Southeast Missouri Solid Waste Management District was formed and officially recognized by the DNR on June 18, 1992. The Southeast Missouri Solid Waste Management District created in the State of Missouri was initiated to respond to the state goal established in Senate Bill 530 of reducing Missouri's waste stream by 40% by the year 1998. It was to accomplish this objective through a variety of programs designed to recover and recycle the resources then viewed as garbage by the people of the state.

Service Area:

The District includes the counties of Bollinger, Cape Girardeau, Iron, Madison, Perry, Ste. Genevieve and St. Francois and their participating cities (17) 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.

Organization:

The organizational structure originally proposed for the District was that which was suggested in the Missouri Statutes governing such organizations. Allowing each county participant in the District to appoint two members and each city with a population of 500 or over to select one representative, a council was formed.

The District later adopted an alternative management structure allowed by Section 260.300.3, RSMo. The District still operates as before but the alternative management structure allowed the District to include cities with a population of less than 500.

The District is comprised of a planner, council and an executive board of seven members with a two year term each. According to the July 1, 2006 through June 30, 2007 Annual Report, the Region R – Southeast Missouri Solid Waste Management District Council and Executive Board consisted of the following members:

Executive Board

Wayne Johnson	Bollinger County
Timothy Morgan, Secretary/Treasurer	Cape Girardeau County
Terry Nichols	Iron County
Johnson Rauls	Madison County
Patrick Naeger	Perry County
Greg Beavers, Vice Chairman	St. Francois County
Albert Fults, Chairman	Ste. Genevieve County

Council

Dennis P. Mayberry, Sr.	City of Bismarck
William Lewis	City of Perry
Kenny McDowell	City of Fredericktown
Richard Herbel	City of Ste. Genevieve
Weldon Macke	City of Gordonville
John Clark	City of Park Hills
Jay Knudtson	City of Cape Girardeau
Douglas Leslie	City of Cape Girardeau
Carol Collins	City of Delta
Rick Jones	City of Marble Hill
Gary Shrum	City of Marble Hill
Roy Carr	City of Arcadia

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The Southeast Missouri Regional Planning and Economic Development Commission provides administrative services and facility support under contract to the Region R – Southeast Missouri Solid Waste Management District.

Personnel:

The Region R – Southeast Missouri Solid Waste Management District programs are administered by contract through the Southeast Missouri Regional Planning and Economic Development Commission. The primary assigned operating staff are:

Chauncy D. Buchhelt, Executive Director
Brian J. Balsman, Planner
Marilyn Hennemann, Fiscal Officer
Joan Carlton, Secretary

REGION R – SOUTHEAST MISSOURI SOLID WASTE MANAGEMENT DISTRICT
Perryville, Missouri

Current Findings

1. No Open Meeting Notice

CONDITION – When reviewing the July 2005, June 2006, August 2006, November 2006, February 2007 and June 2007 District’s notice of meetings, there was no indication whether the meetings were open or closed to the public documented.

CRITERIA – Section 610.020 RSMo states in part that: “the notice of the meeting shall identify the mode by which the meeting will be conducted and the designated location where the public may observe and attend the meeting.”

EFFECT – Incomplete notice of meetings to the public.

CAUSE – Omission of public notice information by the District.

RECOMMENDATION – The District’s notice of meetings should indicate whether the meetings are open or closed to the public as required by RSMo Section 610.020.

DISTRICT RESPONSE – These notices are published and posted and, candidly, it did not occur to anyone here that a formal statement of an “open meeting” was needed. We are adding the statement “This meeting is open to the public” to our notices and agendas now.

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2. Unrecorded Subgrantee Visits

CONDITION – Although some District visits were verified by subgrantees, monitoring and on-site visit reports were not prepared by the District.

CRITERIA – The special terms and conditions state that the District is responsible for ensuring proper use of the solid waste management funds. Good business practices require that periodic site visits to the subgrantee facilities be made to ensure proper use of funds and that such site visits be properly documented.

EFFECT – There is less assurance that the District’s solid waste management goals and objectives, and special terms and conditions are being met.

CAUSE – Change in personnel.

RECOMMENDATION – The District prepare monitoring and on-site visit reports for subgrantee visits.

DISTRICT RESPONSE – In candor, due to staff changes, we are catching up on our site visits. We did not think of documenting these. We are adding lines to our basic Sub-Grantee File Checklist to handle this documentation. Procedure added to Sub-Grantee Checklist.

3. District's Quarterly Project Financial Summary Report Not Properly Prepared

CONDITION - The quarterly project financial summary reports for the periods ended June 30, 2007 and June 30, 2006 did not properly reconcile to the total cash balance held by the District at fiscal year end. A reconciliation of the total project awards received, disbursed, and ending balances was prepared for both fiscal years and the reconciliation as of June 30, 2007 is included at Appendix II.

- A. The June 30 quarterly project financial summary report submitted to the DNR included accounts payable in the expenditures thereby lowering the reported cash balance to not agree to the actual reconciled cash balance. The June 30, 2006 report included \$6,405.00 in payments disbursed in July 2006 and the June 30, 2007 report included \$8,132.66 in payments disbursed in July 2007.
- B. The June 30, 2006 and 2007 quarterly reports to the DNR did not include the balances from a second New Era Bank account of \$21,950.76 and \$53,921.04 respectively. The balances in the second bank account are membership dues collected from the member counties and cities and funds approved by the DNR as district operations grant monies.

CRITERIA – Section I.E.1. of the DNR General Terms and Conditions requires that accurate, current, and complete disclosure of financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the subgrant.

EFFECT – The District's June 30 reports to the DNR for fiscal years 2006 and 2007 are not properly showing the total cash balance held in all the bank accounts.

CAUSE – The District's report process was deficient in that July payments were deducted from the June 30 cash balance on the quarterly project financial summary report and a reconciliation between the cash balance presented and the actual reconciled cash balance was not shown. The District also neglected to properly include the monies remaining in its second bank account at the fiscal year end.

RECOMMENDATION – We recommend the District properly prepare its quarterly project financial summary reports by not including post report payments in the balances on the quarterly project financial summary report to the DNR, or by showing the expenditures incurred but not yet disbursed at June 30, i.e. accounts payable, to allow for proper reconciliation with the actual cash balance held by the District. We also recommend that the District properly prepare its quarterly financial reports by including the balance in the second bank account.

DISTRICT RESPONSE – We will add a line to our annual report and include this figure in the future. We also understand that this question dealt with quarterly reports. The fund balance will be included on our quarterly reports as well.

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4. DNR Logo Not Visible On Equipment

CONDITION – The DNR logos were not visible on newly acquired subgrantee equipment observed during on-site visits in the District.

CRITERIA – The special terms and conditions require the DNR logo be displayed on all equipment purchased with DNR grant funds.

EFFECT – The District did not comply with certain provisions of the special terms and conditions.

CAUSE – The District did not provide DNR logos to subgrantees to display on equipment purchased with DNR grant funds.

RECOMMENDATION – The District should print DNR logos on weather resistant material and issue the labels/signage to subgrantees to display on equipment purchased with DNR grant funds.

DISTRICT RESPONSE – This was our oversight and simply the result of staff changes. The requirement was overlooked during a transition. We realized the omission in July and have been working to get the appropriate signage done since then. The planner involved in the service providers update next year will make site visits to all sub-grantees and affix appropriate signage.

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REGION R – SOUTHEAST MISSOURI SOLID WASTE MANAGEMENT DISTRICT
Perryville, Missouri

Prior Findings

The following findings were obtained from a prior review of the Region R – Southeast Missouri Solid Waste Management District. The review was performed by an audit firm contracted by the Department of Natural Resources (DNR) for the period July 1, 1991 through June 30, 1997.

1. Interest Income Not Reported: Interest income was earned by the District but not reported or deducted from outlays.

Current Audit Follow-up: Implemented.

2. Unprotected Cash Balances: The month-end cash balance averaged over \$234,000 during fiscal year 1997 with inadequate FDIC insurance and pledged securities leaving unprotected cash balances for the District.

Current Audit Follow-up: Implemented.

3. Final Reports Not Timely Filed - District Grants: We noted that final reports for the District were not submitted to DNR on a timely basis or at all.

Current Audit Follow-up: Implemented.

4. Proposal Evaluation Not Documented: For fiscal years 1993 –1995, the District could not provide documentation to support proposal evaluations.

Current Audit Follow-up: Implemented.

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REGION R – SOUTHEAST MISSOURI SOLID WASTE MANAGEMENT DISTRICT
 SCHEDULE OF STATE FUNDING
 YEARS ENDED JUNE 30, 2007 AND JUNE 30, 2006

Year Ended June 30, 2007

<u>Subgrantee</u>	<u>Grant No.</u>	<u>Amount</u>	<u>Purpose</u>
Perry County Recycling Committee	R2007-01	\$ 26,250.00	Recycling center upgrades
Ste. Genevieve County Recycling Center	R2007-02	14,475.00	Recycling center upgrades
City of Cape Girardeau	R2007-03	4,227.94	Purchase/Installation waste oil heater
Perry County Recycling Committee	R2007-04	7,500.00	Igloo recycling container purchase
Ste. Genevieve County Recycling Center	R2007-05	11,823.75	Recycling center upgrades
Perry County Recycling Committee	R2007-06	9,000.00	Recycling tow truck purchase
MO Dept of Corrections - Farmington	R2007-07	19,932.13	Vermicomposting project
Cape Girardeau County	R2007-08	18,000.00	County tire collection
Region R- Southeast Missouri SWMD	R2007-09	<u>61,795.00</u>	Region R FY07 District operation
Total		\$ 173,003.82	

Year Ended June 30, 2006

<u>Subgrantee</u>	<u>Grant No.</u>	<u>Amount</u>	<u>Purpose</u>
Region R- Southeast Missouri SWMD	R2006-01	\$ 35,730.00	Administrative services
Region R- Southeast Missouri SWMD	R2006-02	19,062.50	Administrative services
City of Cape Girardeau	R2006-03	-	HHW collection
VIP Industries	R2006-04	11,156.25	Recycling containers purchase
St. Francois County Environmental Corporation	R2006-05	24,000.00	Recycling trailer update
Ste. Genevieve County Recycling Center	R2006-06	6,166.27	Recycling center upgrades and hoppers purchase
Region R- Southeast Missouri SWMD	R2006-07	5,504.00	Region R FY06 District operation
Region R- Southeast Missouri SWMD	R2006-08	<u>45,541.88</u>	Administrative services
Total		\$ 147,160.90	

Total for Audit Period

\$ 320,164.72

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APPENDIX II

REGION R – SOUTHEAST MISSOURI SOLID WASTE MANAGEMENT DISTRICT
 COMPOSITION OF CASH AND INVESTMENTS BALANCE
 JUNE 30, 2007

<u>Sources</u>	<u>Description</u>	<u>Obligated</u>	<u>Unobligated</u>	<u>Expenditures</u>	<u>Accounts Payable</u>	<u>Balance</u>
Carry Over FY 2006		\$2,042.06	\$839.62	\$0.00	\$0.00	\$2,881.68
<u>Grant No.</u>	<u>Purpose</u>					
R2006-4	VIP Industries	11,156.25		10,046.62		1,109.63
R2006-5	SFCEC	24,000.00		20,399.99	3,600.01	0.00
R2006-7	Region R- SWMD	5,504.00		4,380.33	62.50	1,061.17
R2006-8	Region R- SWMD	45,541.88		38,616.37	4,470.15	2,455.36
R2007-1	Perry County	26,250.00				26,250.00
R2007-2	Ste. Genevieve Co.	14,475.00		4,587.53		9,887.47
R2007-3	City of Cape Girardeau	4,227.94				4,227.94
R2007-4	Perry County	7,500.00				7,500.00
R2007-5	Ste. Genevieve Co.	11,823.75				11,823.75
R2007-6	Perry County	9,000.00				9,000.00
R2007-7	MO Dept of Corr	19,932.13				19,932.13
R2007-8	Cape Girardeau Co	18,000.00				18,000.00
R2007-9	Region R-SWMD	61,795.00				61,795.00
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<u>Investments</u>						
Interest	From Bank Accounts	3,616.50	662.34	0.00	0.00	4,278.84
Total	All Sources	<u>\$264,864.51</u>	<u>\$1,501.96</u>	<u>\$78,030.84</u>	<u>\$8,132.66</u>	180,202.97
<u>Balances</u>						
	New Era Bank Grant Account					188,335.63
	New Era Bank District Account					53,921.04
<u>Differences</u>						<u>(\$62,053.70)</u>

Note 1: Expenditures for R2006-5, R2006-7 and R2006-8 include Accounts Payable paid during July. See Finding 3.

Note 2: The June 30, 2007 balance in the New Era Bank District Account was not included in the June 30 quarterly report and is reflected in the Differences along with Accounts Payable amounts.

Marvin L. Wilson, CPA, LLC

230 W. DUNKLIN ST., SUITE 205 JEFFERSON CITY, MISSOURI 65101 Voice (573) 659-9190 Fax (573) 659-9193
marvinwilsoncpa@aol.com

To:
Region R – Southeast Missouri Solid Waste Management District
1 West St. Joseph Street
Perryville, MO 63775
and
Missouri Department of Natural Resources
Jefferson City, MO 65102

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We have recently completed the audit of the Region R – Southeast Missouri Solid Waste Management District as of and for the two years ended June 30, 2007, and have issued our accompanying Independent Accountant's Report on Applying Agreed-Upon Procedures dated September 24, 2008. The following discussion items are not considered to be reportable conditions under standards established by the American Institute of Certified Accountants, but we feel their consideration will improve the management of the District.

Items for the Region R – Southeast Missouri Solid Waste Management District Board Consideration:

1. Project No. R2007-7 (Missouri Department of Corrections – Farmington Correctional Center)

During our test of District subgrantees, we noticed in activities in the quarterly reports for the subgrantee that the District made repeated requests for project status updates with little or no response from the subgrantee. We feel the District's tolerance was well intended, but the financing agreement should be terminated. This item was discussed with the District during fieldwork with a positive response:

“Project No R2007-7 (Farmington Correctional Center). Subsequent to this project being approved there was a staff reassignment at the sub-grantee. The project has been dropped. We recognize that the time limit has expired and presented this to the Board of Directors at the October 28, 2008 meeting with an eye to having the project formally cancelled and funds deobligated. The cancellation letter has been prepared and, indeed, a copy was shown to Mr. Wilson when he was here. This discussion item is simply a matter of timing and no additional action is contemplated.”

2. District Organization Structure

During our review of the District's organizational structure we noted that the District had adopted an alternative management structure as allowed by Section 260.300.3. In practice, the District operates materially the same as originally suggested in the Missouri Statutes. This item was presented to give the District an opportunity for clarity with the following response:

"The District, quoting the most recent financial audit, '...is a wholly owned subsidiary of county and municipal government and was created under chapter 260 of the Revised Statutes of the State of Missouri. As such, it is operated by the membership and has representation from county commissions and municipalities.' Under this basic structure, an Executive Board has been established including the officers (Chairman, Vice-Chairman and Secretary/Treasurer) along with four other members who must be representatives of other counties. This Executive Board is empowered, under the By-Laws to handle the normal day to day business of the District.

Under the By-Laws Article 3, Section 3.1.B, the Voting Members of the District include representatives from each of the seven Counties included within the Solid Waste Management District and the Cities with populations in excess of 500 persons. The Counties represent unincorporated areas and cities with populations under 500 persons. Projects would be considered from any entity within the service area.

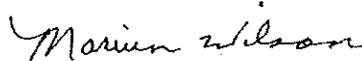
As a general statement, it is my understanding that this is a "clean" audit. The items identified above are minor and easily correctable. We look forward to continuing to work with you and with the Solid Waste Management District as we move forward."

These discussion items are intended solely for the information and use of the Region R – Southeast Missouri Solid Waste Management District, management and any required distributions, and are not intended to be, and should not be, used by anyone other than these specified parties.

We express our congratulations to the Region R – Southeast Missouri Solid Waste Management District Board and the administration of the District. We feel many of the District's solid waste objectives and operations are as the program intended.

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Yours truly,



Marvin Wilson, CPA

September 24, 2008
Jefferson City, Missouri