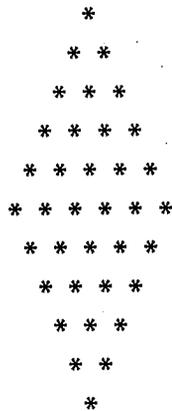


**INDEPENDENT AUDITORS' REPORT**

**PERFORMANCE AUDIT OF  
SOUTH CENTRAL SOLID WASTE  
MANAGEMENT DISTRICT - REGION P**

**JULY 1, 2008 THROUGH JUNE 30, 2011**



**CASEY-BEARD-BOEHMER PC  
CERTIFIED PUBLIC ACCOUNTANTS  
COLUMBIA, MISSOURI**

**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT  
REGION P  
EUNICE, MISSOURI**

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# CASEY-BEARD-BOEHMER PC



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October 4, 2012

## INDEPENDENT AUDITORS' REPORT

Missouri Department of Natural Resources  
and  
South Central Solid Waste Management District  
Executive Board and Full Council Members  
Eunice, Missouri

The Missouri Department of Natural Resources (DNR or Department), Solid Waste Management Program is responsible for administering the policies and programs developed for solid waste management. The DNR provides funding to the 20 solid waste management regions (districts) in the state of Missouri for solid waste management efforts. We have completed a performance audit of the activities of the South Central Solid Waste Management District's (SWMD or District) compliance with state laws, regulations, and policies. The procedures were conducted pursuant to the authority of the DNR.

### Objectives

The objectives of our audit of the South Central Solid Waste Management District included:

1. To determine that the district, council, executive board, advisory committee, or alternative management structure were organized properly and in accordance with the Revised Statutes of Missouri.
2. To determine that the duties of the council and executive board or alternative management structure have been carried out as specified in the Revised Statutes of Missouri.
3. To review the district's internal controls for accounting and financial matters, safeguarding assets, subgrantees, and compliance with laws, regulations, financial assistance agreements, solid waste plans, policies, and procedures.
4. To determine whether the district is in compliance with laws, regulations, financial assistance agreements, solid waste plans, policies, and procedures.

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**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT  
INDEPENDENT AUDITORS' REPORT (CONTINUED)**

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5. To determine whether the quarterly and final program and financial status reports submitted to the DNR-Solid Waste Management Program by the district, along with accounting records and supporting documentation, are timely, presented accurately, and in accordance with the DNR-Solid Waste Management Program guidelines.
6. To determine that expenditures by the District from advancements and reimbursements made by districts to their subgrantees were made for allowable and eligible costs.
7. To determine whether the district grant funds were awarded to subgrantees or placed under contract properly and to review grant/contract management and monitoring of subgrantees and contractors.
8. To determine that the subgrant project effectively met its goal of diverting waste from landfills or providing environmental education and to determine the per unit cost (ton of waste diverted or per student).

**Scope**

The scope of our audit of the South Central SWMD was for the three fiscal years ended June 30, 2011.

**Methodology**

Our methodology included: reviewing minutes of meetings, written policies and procedures, by-laws and district structure, financial records, board records, project files, and other pertinent documents; interviewing district personnel; and testing selected projects. Our audit procedures and objectives were set forth in the DNR Solid Waste Management District audit program.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This report is intended solely for the information and use of the South Central Solid Waste Management District and the DNR and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Casey-Beard-Boehmer PC*

Casey-Beard-Boehmer PC  
Certified Public Accountants

**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT  
HISTORY AND ORGANIZATION  
FOR THE THREE YEARS ENDED JUNE 30, 2011**

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Function of the District

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 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 district, made possible with monies from the Solid Waste Management Fund through the Missouri Department of Natural Resources (DNR).

Organizational Structure of the District

The South Central Solid Waste Management District (Region P) was formed on February 9, 1992, and consists of seven counties in south central Missouri and 18 cities within these counties that have a population of 500 or more. In July 2007, the counties adopted resolutions for the alternative management structure as allowed by RSMo Section 260.300.3.

The District is managed by a Council consisting of two members from each county and one member from each city with a population over 500. The Executive Board consists of ten members, including nine voting members and one non-voting member. The Executive Board includes one Council member selected and designated by each member county, two at-large representatives selected by the full Council, and the District Coordinator who serves as the Secretary and non-voting member.

The District is not a subsidiary of a larger unit of government. The District employs a District Coordinator to perform all the duties of managing the District through an annual written employment contract. This individual is paid an annual salary plus benefits on a monthly basis. The counties that comprise the District and the cities with a population of 500 or more that are a part of the District follows:

**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT  
HISTORY AND ORGANIZATION (CONTINUED)**

Counties		Cities			
Douglas	Shannon	Alton	Thayer	Winona	West Plains
Howell	Texas	Ava	Gainesville	Cabool	Houston
Oregon	Wright	Mountain View	Licking	Summersville	Norwood
Ozark		Mountain Grove	Birch Tree	Hartville	
		Willow Springs	Eminence	Mansfield	

Council members and Executive Board members for the District serve on a two-year basis. The Council along with the appointed Executive Board members and their terms according to District records are as follows:

County/City	Board Member Name	Term
<u>Douglas County</u>	** Larry Pueppke, Presiding Commissioner	1/11-1/13
	Richard Mitchell, Associate Commissioner	1/11-1/13
	City of Ava Eddie Maggard, Mayor	4/11-4/13
<u>Howell County</u>	** Mark Collins, Presiding Commissioner	1/11-1/13
	Gary Sexton, Associate Commissioner	1/11-1/13
	City of Mountain View Buddy Vines, Mayor	x 4/11-4/13
	City of West Plains Lou M. Citro, City Council Member	4/11-4/13
	City of Willow Springs Jay Waggoner, Mayor	4/11-4/13
<u>Oregon County</u>	Tracy Bridges, County Clerk	1/11-1/13
	** John Wrenfrow, Associate Commissioner	1/11-1/13
	City of Alton Sherri Orr, City Clerk	4/11-4/13
	City of Thayer Buddy Rogers, Mayor	4/11-4/13
<u>Ozark County</u>	** David Morrison, Presiding Commissioner	1/11-1/13
	J. T. Lewis, Associate Commissioner	1/11-1/13
	City of Gainesville Don Luna, Mayor	4/10-4/12
<u>Shannon County</u>	Jeff Cowen, Presiding Commissioner	1/11-1/13
	** Dale Counts, Associate Commissioner	1/11-1/13
	City of Birch Tree Audrey Hoffman, Mayor	x 4/10-4/12
	City of Eminence John Stewart, Mayor	x 4/09-4/11*
	City of Winona Bob Atkins, Mayor	4/09-4/11*
<u>Texas County</u>	** Linda Garrett, Associate Commissioner	1/11-1/13
	John Casey, Associate Commissioner	1/11-1/13
	City of Cabool Edward Hardy, Mayor	4/09-4/11*
	City of Houston Don Tottingham, Mayor	4/09-4/11*
	City of Licking Linda Miller, Mayor	4/11-4/13

**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT  
HISTORY AND ORGANIZATION (CONTINUED)**

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City of Summersville	Mike Jackson, Mayor	4/11-4/13
<u>Wright County</u>	Zack Williams, Presiding Commissioner	1/11-1/13
	** Mike Sherman, Associate Commissioner	1/11-1/13
City of Hartville	Wanda Cope, Mayor	4/09-4/11*
City of Mansfield	Keith Dale, Mayor	4/09-4/11*
City of Mountain Grove	Mike Williams, Public Works Director	4/11-4/13
City of Norwood	Hank Flagella, Maintenance Supervisor	4/11-4/13
<u>At-Large</u>	** Dennis Sloan	1/11-1/13
	** Gary Collins	7/11-1/13
<u>District Coordinator</u>	** Lynda Roehl (non-voting member)	N/A

The Officers of the Executive Board are as follows:

Gary Collins	District Chairman
Dennis Sloan	District Vice-Chairman
Linda Garrett	District Treasurer
Lynda Roehl	Council and Board Secretary (non-voting member)

The above names and terms were provided from records of the District and were not verified with the respective counties and cities for accuracy.

\* District records do not indicate the member's name and term of office as of June 30, 2011.

\*\* Executive Board Members

X A different person in the Mayor position was in office at the time of fieldwork.

**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT  
AUDIT PROCEDURES  
FOR THE THREE YEARS ENDED JUNE 30, 2011**

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During the dates of August 27, 2012 through August 31, 2012, the audit firm of Casey-Beard-Boehmer PC conducted on-site fieldwork for the performance audit of the South Central SWMD. Further continuing audit work was performed off site from the District. The exit conference with the Executive Board was held on October 4, 2012. Our audit procedures were set forth in the Department of Natural Resources (DNR or Department) Solid Waste Management District audit program and included:

1. Entrance Conference
  - We conducted an entrance conference with the district to discuss the scope of the engagement and the status of the district activities.
  
2. History and Organization
  - We reviewed the history and organization of the district to determine whether the district had a Council, unless an alternative management structure was adopted.
  - We reviewed the Executive Board and the advisory committee bodies.
  - We reviewed the district's policies and procedures for monitoring the qualifications, terms, vacancies, and conflict of interest of the members of the Executive Board and Council.
  - We reviewed the district's bylaws to determine that requirements are in compliance with the Revised Statutes of Missouri.
  - We prepared a summary of the current organization of the district for the engagement period.

Findings: None.

3. Board Minutes
  - We reviewed minutes of the Executive Board and Full Council board meetings for the engagement period and up to the date of fieldwork.
  - We evaluated six sets of board minutes utilizing "The Missouri Sunshine Law Compliance Checklist" prepared by the DNR.
  - We reviewed the district's written policy regarding the Sunshine Law and procedures regarding requests for district records.

Findings: See Finding No. 1.

4. Follow-up to Prior Audit Reports
  - We reviewed the findings of the previous agreed upon procedures engagement and the financial audits for the engagement period and documented the status of the findings and the corrective action taken by the district.

**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT  
AUDIT PROCEDURES (CONTINUED)**

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Findings: See Schedule of Prior Findings.

5. Cash

- We obtained the monthly bank statements and reconciliations for the engagement period and reviewed the bank reconciliation process.
- We vouched the June 30 bank reconciliation for each year.
- We reviewed the financial reports/reconciliations to determine whether the board reviewed them by signing and dating the reports.
- We obtained a listing of DNR funds for the engagement period to agree to the bank deposits.
- We selected a sample of canceled payroll checks to determine that the checks cleared the bank after the date of the check and on or after the last day of the payroll period or month services were provided.
- We reviewed for any local funds received by the District.
- We reviewed the makeup of the district's cash balance at each year end and reconciled the Quarterly Project Financial Summary Report sent to DNR with the bank and checkbook balances.
- We reviewed the system used by the district to allocate interest income to state and local funds.
- We reviewed the district's process for requesting cash from the state upon approval of grants.

Findings: See Findings Nos. 2 and 3.

6. Administrative/Management Services

- We reviewed whether the district contracted out its administrative/management services.
- We determined whether the contract terms are written and properly approved, and we reviewed the contract for propriety and reasonableness.
- We reviewed invoices and supporting documentation to determine the basis for billing of services and that payments for services are appropriate, properly approved, and in compliance with contract terms.
- If the contract was based upon hours charged, we reviewed timesheets and contractor's payroll to determine if hours worked corresponded with hours charged to the district through the invoice for services process.
- If the services were calculated on other than hours worked, we documented the basis used by the contractor to charge for services provided to the district and reviewed the reasonableness and allowability based on the terms of the contract.
- If the contract provided for mileage and travel reimbursement, we determined the rate used and expenses charged to the district through the invoice for services process. We reviewed supporting documentation for mileage and other travel reimbursements and

**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT  
AUDIT PROCEDURES (CONTINUED)**

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contractor's source documents for these requests and reviewed the reasonableness and allowability of the charges based on the terms of the contract.

Findings: See Findings Nos. 4, 6, and 8.

7. Records

- We reviewed the availability and completeness of the district's records and supporting documentation directly related to the funds and projects supported by DNR funding for a period of three years from the date of submission of the final status report.

Findings: None.

8. General Terms and Conditions

- We reviewed the district's compliance with the general terms and conditions in the following areas:
  - Non-discrimination;
  - Environmental laws and eligibility, debarment and suspension;
  - Hatch Act and restrictions on lobbying;
  - Program income;
  - Equipment management;
  - Identification of DNR as a funding source;
  - Audit requirements;
  - Recycled paper; and,
  - Contracting with small and minority firms, Women's Business Enterprise, and labor surplus area firms.

Findings: See Finding No. 5.

9. District Grants

- We obtained a schedule of district grants from the DNR for the engagement period and reviewed the Guidance Document for Solid Waste Management District Grants published by DNR.
- We reviewed the proposals for 2009, 2010, and 2011 to determine if the district was in compliance with DNR guidelines on requested project proposals, project periods and extensions, and how projects were reviewed, ranked, and approved by the district executive board.
- We reviewed a sample of awarded projects provided by the DNR and completed Attachment 3 "Detailed Review of District Grant Projects."

Findings: None.

**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT  
AUDIT PROCEDURES (CONTINUED)**

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10. Exit Conference

- We conducted an exit conference with the South Central SWMD to discuss the results of the engagement.

**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE THREE YEARS ENDED JUNE 30, 2011**

---

1. Board Meeting Minutes Not Signed and Dated

Condition:

All executive board meeting minutes or full council meeting minutes were not properly signed and dated as being approved. The meeting minutes are usually approved at the subsequent meeting and later signed. Our review noted the following:

- A. Executive board meeting minutes for July 10, 2008, September 2, 2010, December 2, 2010, and June 2, 2011 were not signed by the secretary and board chairman, while the minutes for September 4, 2008 and January 22, 2009 were signed by the secretary but not by the board chairman. The date signed was also not included on the minutes after the signatures.
- B. Full council meeting minutes for February 28, 2008, January 27, 2011, and June 2, 2011 were not signed by either the secretary or board chairman, while the minutes for January 22, 2009 were signed by the secretary but not by the board chairman. The date signed was also not included on the minutes after the signatures.

Criteria:

RSMo Section 610.020.7 of the Missouri Sunshine Law requires governmental bodies to take minutes of meetings, and good business practices require that an officer of the board along with the secretary or person taking the minutes officially sign and date the minutes to indicate formal approval of the minutes as being an accurate representation of the actions taken by the body.

Cause:

The District did not adequately review the board meeting minutes to ensure that the minutes were properly signed and dated.

Effect:

The board meeting minutes, the official records of the District, did not contain the required signatures and date approved.

Recommendation:

We recommend the District ensure that all board meeting minutes are properly signed and dated by the board chairman or another board member and the secretary.

**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

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Response:

*The District agrees with the finding and recommendation. Signing and dating the meeting minutes after they have been approved, though not required by law, provides an extra layer of safety for the Executive Board and Full Council. The District agrees that we need to strengthen the system we use to safeguard our meeting records. The Executive Board will develop a procedural guideline for ensuring that all of the meeting minutes are signed and dated. At the December 2012 Executive Board meeting, all of the minutes lacking signatures and dates will be reviewed and amended to correct this deficiency.*

2. Quarterly Project Financial Summary Reports Not Complete and Accurate

Condition:

We noted the following issues upon our review of the quarterly project financial summary reports:

- A. The quarterly project financial summary reports prepared and submitted to DNR do not break out the carryover amounts for interest income and district grant funds unobligated to other projects but are combined into one amount. At June 30, 2011, the combined amount on the quarterly project financial summary report was \$7,659.12. We also noted that the quarterly project financial summary report as of June 30, 2010 indicated interest income of \$15,000 used on three different projects; however, this amount included both interest income and other project carryover amounts as indicated by the District Coordinator and was not properly broken down.
- B. The quarterly project financial summary report as of June 30, 2011 prepared by the District Coordinator did not agree with the schedule of receipts and expenditures of state awards as presented in the independent financial audit report for balances in various projects that the audit report indicated were still unspent. The audit report included remaining amounts in old projects that were actually obligated to other projects according to the District Coordinator as shown on the quarterly project financial summary report.
- C. The quarterly project summary reports for June 30, 2010 and June 30, 2009 did not agree to the reconciled bank balance and certificate of deposit balance per the District's computer software system balance or to the amounts presented in the independent financial audit report.
  - The cash balance on the quarterly project financial summary report at June 30, 2010 was \$167,008, the audit report showed \$167,329, and the computer software system balance showed \$167,964.
  - The cash balance on the quarterly project financial summary report at June 30, 2009 was \$152,500, the audit report showed

**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

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\$169,789, and the computer software system balance showed \$170,424.

Criteria:

Section I.I. of the General Terms and Conditions (GTC) require that the financial management system used by Districts and District Subgrantees must be in accordance with generally accepted accounting principles and meet certain standards. Section I.I.1. of the GTC also 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. Section I.I.3. of the GTC requires that effective control to prevent loss or misuse and accountability shall be maintained for all District and District Subgrantee cash, real and personal property, and other assets. Additionally, 10 CSR 80-9.050(7)(B) states, "An executive board receiving funds from the Solid Waste Management Fund for district grants shall themselves maintain, and require recipients of financial assistance to maintain, an accounting system according to generally accepted accounting principles that accurately reflects all fiscal transactions, incorporates appropriate controls and safeguards...."

Cause:

The District Coordinator reconciled the reports at different times of the month in June instead of June 30 each year.

Effect:

The reports prepared by the District were not accurate and did not properly match between the audit report, reconciled bank balance, and the computer software system balance.

Recommendations:

We recommend the District:

- A. Separate the interest income and carryover project amounts on the quarterly project financial summary report submitted to the DNR.
- B. Ensure that the schedule presented in the independent financial audit report of the District properly represents the remaining amounts of monies in each project to agree with the quarterly project financial summary report at June 30 of each year.
- C. Ensure the quarterly project financial summary report for each quarter and submitted to the DNR properly states the ending cash and certificate of deposit balances that agree with the reconciled bank balance and the computer software system balance.

**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

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Response:

*The District agrees with the findings and recommendations. In 2008, a new rule said that districts could only keep up to \$20,000 in unobligated funds. Therefore, after 2008, the interest and unobligated carryover amounts were combined and reported as unobligated. The interest and grant carryover are kept separate and, in future reports, will be reported as two separate amounts. We will also work with our financial auditor to get an accurate listing in our next financial audit.*

*District grant funds are held in an account at Progressive Ozark Bank. Statements from Progressive Ozark Bank are reconciled to the 24<sup>th</sup> day of the month. The District has a certificate of deposit (CD) held at Landmark Bank. The balance of the CD is reported by Landmark Bank every three months on the 28<sup>th</sup> day of the month. Quarterly reports ask for the balances on the 30<sup>th</sup> day of the month. The reports are complete and amounts are accurate to the day that they are reported. Every effort will be made to reconcile all statement amounts to the 30<sup>th</sup> day of the month.*

3. Bank Reconciliations Not Formally Prepared and Approved by Board

Condition:

We noted the following issues related to bank reconciliations:

- A. Formal monthly bank reconciliations are not prepared for review and approval by the Executive Board monthly. The District's computer software system does not allow preparation of bank reconciliations and no other formal documentation is prepared to show the difference between the total balance in the bank accounts per the computer system and the bank account and certificate of deposit balances per the bank statements. The software system used is designed for basic personal financial accounting and not for business or governmental accounting.
- B. Board members started initialing the monthly bank statements in April 2011. However, since no formal monthly bank reconciliation is prepared, the board members were not able to review and approve a bank reconciliation or document the approval of any informal reconciliation prepared by the District Coordinator. This condition is mainly caused by a lack of proper segregation of duties related to the oversight of cash. The District board should appoint a board member to prepare the formal monthly bank reconciliation with the assistance of the District Coordinator to agree the bank statement balances with the District's computer software system cash balance.

Criteria:

Section I.I.3. of the GTC requires that effective control to prevent loss or misuse and accountability shall be maintained for all District and District Subgrantee

**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

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cash, real and personal property, and other assets.

Cause:

The District did not have a policy/procedure in place requiring independent reconciliation of the bank statement.

Effect:

The District's accounting records are not reconciled and therefore the board cannot be assured all assets are adequately present and protected.

Recommendations:

We recommend the District:

- A. Require a formally prepared monthly bank reconciliation to be reviewed and approved, signed, and dated by the Executive Board monthly.
- B. Require a board member to assist in the preparation of the monthly bank reconciliation to ensure the accounting records are accurate, and that the bank balance reconciles to the computer software system balance monthly.

Response:

*The District agrees with the findings and recommendations. A formal monthly reconciliation can and will be prepared with the assistance of a board member for review and approval of the Executive Board.*

4. District Expenditure and Payment Procedures Need Improvement

Condition:

We noted the following issues related to district expenditures and payment procedures as follows:

- A. District policy requires two signatures of board members on checks; however, our review of checks cashed by the bank noted two checks written that did not have the two required signatures on them. The two checks had only one board member signature. The two checks written were as follows: check number 3280 dated 3/1/11 for \$40.00 to Do Co Inc. and check number 3229 dated 12/10/10 for \$2,780.48 to MoPERM.
- B. While District board members sign a request for payment form for the approval of payment of invoices for district expenditures, there is no evidence that the actual invoices are reviewed. We noted that the actual invoices are not signed or initialed and dated by a board member to indicate the review and approval process along with the invoice being marked "paid".

**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

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- C. The District has a credit card with a limit of \$10,000 that is used for many of the district expenditures and used by either the District Coordinator or her husband who is a part-time employee of the District. Our review noted that the expenses paid by the credit card are not approved in advance by a board member. This procedure circumvents the normal internal control process of the District. We also noted that there is no written credit card policy by the district Executive Board outlining the approved credit card limit, transaction limits, use of the credit card, and the pre-approval of credit card purchases.
- D. Although sales receipts for credit card purchases are attached to the request for payment and reviewed for board approval, the actual district credit card statements are not submitted to the district board for their review and approval. Therefore, there is no evidence that the board has reviewed sufficient documentation to support the payment of the credit card statement each month.
- E. Invoices for expenditures did not always include the check number and date paid to indicate the invoice has been paid.
- F. Our review of invoices paid on projects noted that sales taxes were paid by the District when it is actually exempt from the payment of sales taxes. The amount of sales tax paid by the District as calculated by the District Coordinator totaled \$494.42 during the engagement period and therefore, is considered a questioned cost.
- G. A baler was purchased through administrative project number 2010-002 on November 11, 2009 for \$4,200. There was no evidence in the project files that bids were taken formally or informally on the purchase by the District in accordance with state purchasing procedures. This amount of purchase is considered a questioned cost.

Criteria:

Section I.I.7. of the GTC requires that accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents. Appropriate electronic verification of cleared checks may also be considered source documentation in lieu of actual cancelled checks. The documentation must be made available by the District or District Subgrantee at the SWMP's request.

10 CSR 80-9.050(2)(D)2.C indicates that taxes are ineligible costs.

1 CSR 40 and Section E of the DNR Guidance Document indicate that districts and district subgrantees receiving Solid Waste Management Fund financial assistance are required to obtain bids for all purchases according to Section

**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

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34.040 RSMo. This section requires bids on purchases of \$3,000 to \$24,999.99 that a minimum of three competitive bids be sought, but does not require advertising. District subgrantees must submit bid documentation to the SWMD.

Cause:

The District Coordinator and Executive Board did not ensure that the district expenditure process was adequate and that all expenditures were reviewed appropriately and documentation complete.

Effect:

The District Coordinator and Executive Board paid out monies that should not have been paid and did not provide a thorough review of all expenditures.

Questioned Costs:

The total amount of \$494.42 in sales taxes paid and the purchase price of the baler for \$4,200 are considered questioned and should be resolved with the DNR.

Recommendations:

We recommend the District:

- A. Ensure that two signatures are recorded on each check before sending them out for payment.
- B. Ensure that a board member reviews in detail each invoice and other supporting documentation when checks are written and document the review by recording their initials and date on the invoices.
- C. Establish a written credit card policy regarding the board approved dollar limit on the credit card, transaction limits, use of the credit card for specific purposes, and the pre-approval of the use of the card.
- D. Ensure that a board member reviews each monthly credit card statement in detail and documents the review by recording their initials and date on the statement. The credit card statement must also be attached to the request for payment along with the sales invoice when paying various invoices related to the use of the credit card to be reviewed at the time of approval of the request for payment.
- E. Ensure that all invoices are properly canceled after payment by recording a date, check number, initials or signature, and a paid cancellation on the invoice.
- F. Ensure that sales tax is not paid on any invoice.

**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

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- G. Ensure that formal or informal bids are documented on all purchases required by state purchasing procedures and that the bid information is included in the project file.
- H. Discuss and resolve the questioned costs with DNR.

Response:

*The District agrees with the findings and recommendations. The Executive Board agrees that we need to strengthen the system we use to safeguard our expenditures and payments. The Executive Board will develop a procedural guideline for use of the district credit card, for ensuring that all of the invoices are marked "PAID", signed, dated, and show the check number of the payment. District personnel will go through the files and make sure that all invoices are marked PAID and the check number and date paid are included on the invoice.*

*District personnel went through the files and determined that a total of \$494.42 was paid in sales taxes over the three year period on several grant projects. This was inadvertent and not intentional misuse. District personnel will carry and use the tax-exempt letter with them at all times so that this situation does not happen again.*

*The baler was a mini-grant from the Technical Assistance/Plan Implementation grant for equipment to Ozark Green to help establish a recycling center in Houston. They made many calls getting prices on balers for this grant and will send a statement for the file.*

*Occasionally, the Full Council invites children to come to the meeting to present information on recycling programs at schools as part of education seminars.*

**5. Grant Administration Requirements Not in Compliance with the General Terms and Conditions**

Condition:

We noted the following issues related to the General Terms and Conditions (GTC) during the engagement period as follows:

- A. The District does not or has not retained the required 15% retainage fee on each project as required by the GTC and the Financial Assistance Agreements (FAAs). The District does have a policy in its annual Policy Document approved by the Full Council that states: "if a grantee submits all required documentation and reports and staff determines that the project is completed, staff has the authority to release final payment to the grantee. If there are any questions or issues regarding a grantee or project, staff will bring those issues to the executive board for discussion and a vote on releasing final payments." The policy document also indicates that

**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

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the District Executive Board encourages the practice of direct payment to equipment vendors. Therefore, the retainage fee would not need to be withheld. However, the District has not withheld the retainage fee until the project is completed for any projects.

- B. The District Coordinator visits projects and takes pictures and enters expenses on her expense sheet for reimbursement; however, we did not note any formal documentation in the project files as to when visits were conducted and whether there were any problems. Also, we did not note any formal documentation in the files signed by the subgrantee or an annual use statement indicating that the items used or purchased with state monies are being used appropriately. The District does have the subgrantee sign a memorandum of understanding requiring the subgrantee to be responsible for insurance, maintenance, and repairs of the equipment for as long as it has the equipment.
- C. The District uses 100% recycled paper for use; however, the chasing arrow symbol is not included on at least one sheet of paper sent from the District office as required in the GTC.

Criteria:

10 CSR 80-9.050(7)(D) states: "The executive board shall retain 15% of the funds from the recipient until the project is complete. A project shall be deemed complete when the project period has ended and the board gives approval to the grant recipient's final report and the final accounting of project expenditures."

Section I.C.3.g. of the GTC requires that the District shall retain 15% of the funds awarded to the project until a District Subgrantee's final report has been provided to the District and the Executive Board approves the project's final report and final accounting of expenditures.

Section I.C.3.h. of the GTC requires that the District has the option of making payment directly to a vendor instead of reimbursing the District Subgrantee. In order for payment to be made directly to the vendor, the Executive Board must approve such direct payment for goods or services being purchased by the District Subgrantee and the goods or services must have been received. Payment directly to the vendor does not relieve the Executive Board from the requirement for retaining 15% of the project funds until completion and submittal of the final report and final accounting of expenditures.

Section I.C.3.i. of the GTC requires that for reimbursements or disbursements, the Executive Board may release the 15% retainage prior to completion of the subgrantee project with prior approval of the Executive Board and the SWMP.

**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

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Section I.M.1.g. of the GTC requires that the District or District's Subgrantees shall annually submit a statement as provided by the District certifying that the use(s) of said equipment is for project activities. Use(s) of said equipment for activities not related to the performance of services of this agreement must be reported in quarterly reports required by this agreement.

Section I.Z.2. of the GTC requires that 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 and all parties other than the SWMP.

Cause:

The District thought it was in compliance with the retainage fee from its policy document, had well documented the visit to subgrantees to keep track of the equipment items, and used the proper recycled paper.

Effect:

The District is not in compliance with state regulations or the General Terms and Conditions.

Recommendations:

We recommend the District:

- A. Consult with the DNR on the proper requirement on the withholding of the 15% retainage fee on each project funded as outlined in its policy document.
- B. Require a formal statement from the subgrantee annually that indicates that the equipment items are still being used for the intent of the project, proper insurance is being carried, and any other items as necessary.
- C. Require the use of a chasing arrow symbol on at least one sheet of paper sent from the District office as required in the General Terms and Conditions.

Response:

*The District does not agree with the findings and recommendations. The auditor was given copies of the District's policies on payments directly to vendors and payment of retainage that discusses this area. The District believes this covers the requirements of the Terms and Conditions and the FAAs.*

*The District Coordinator visits with people and their projects often. The District has two notebooks of pictures of the equipment in use on projects. We will make a "use" statement for subgrantees to sign acknowledging that the pictures we take of them and the items, showing the items in use, are of items purchased with grant funds and that the items are being used appropriately.*

**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

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*The District uses the same type of 100% recycled paper as the Solid Waste Program at DNR. This is one of the General Terms and Conditions that may need to be revised as it promotes an inaccurate use of the "Chasing Arrow" symbol. The universal symbol is an internationally recognized symbol used to designate recyclable materials. The District has been working on a logo that will be included on the District's letterhead that will include a symbol affirming its use of recycled materials.*

**6. Payroll and Personnel Procedures Are Questionable**

**Condition:**

We noted the following issues related to the payroll and personnel procedures utilized by the District during the engagement period:

- A. The District Coordinator has an annual written employee contract with the District that outlines the duties to be performed and salary compensation along with monthly payments for employee benefits. The annual contract also allows for other compensation to be received for other services rendered such as for projects related to household hazardous waste, electronic, and tire collection events. The following items reviewed are considered questionable:
- During 2009 and 2010, the compensation paid for household hazardous waste, electronic, and tire collection events were paid to the District Coordinator from the administrative service set up as Backwoods and then the District reimbursed Backwoods for her compensation. In 2011, the District paid the District Coordinator directly. The District Coordinator's compensation was shown on a 1099-MISC form as "other employee compensation" instead of being included on a W-2 form with her employee compensation. For 2009 and 2010, the 1099-MISC forms were issued by Backwoods but for 2011 the forms were issued by the District so there was inconsistency on who filed the 1099-MISC forms.
  - It is not clear that these additional events would be outside the scope of the District Coordinator duties to be considered an outside contractor and no formal documentation is maintained by the District to indicate that the additional compensation for the events is not related to her duties as the District Coordinator. Therefore, it appears that the additional compensation is part of the employee duties as the District Coordinator and the compensation should be included on a W-2 form and proper withholdings deducted for Social Security and Medicare.
  - The District may not have paid Social Security and Medicare on part of the wages received by the District Coordinator and this situation should be investigated with proper actions taken.

**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

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- This situation may potentially affect the District's retirement SEP plan since the plan is based on total wages paid and, therefore, the retirement fund could possibly be under-funded by the District.
- B. The workers obtained for the various projects of household hazardous waste, electronic, and tire collection events are supervised and even trained by the District Coordinator as the employee of the District. The workers are also paid through the administrative service agreement set up as Backwoods and then the District reimburses Backwoods also for the total wages paid on the project.
- It is possible these workers could potentially be classified as employees of the District and, hence, should have Social Security and Medicare deducted from their payroll check and matched by the District. The workers are paid in gross without any withholdings and earnings are reported on a 1099-MISC form instead of being reported on a W-2 form.
  - For 2009 and 2010, we noted that the 1099-MISC forms for wages paid to certain workers were processed through Backwoods but for 2011 the forms were processed through the District. It therefore is not clear whether the workers are outside contractors or employees of the District and the District should not report compensation to the IRS from two different sources.
  - The workers are obtained for the various project events by the District Coordinator and her husband who is also a part-time employee of the District. The projects are not advertised in local newspapers to give all people a chance at registering or signing up for working at these events. The District Coordinator indicated this was not done since many of the workers are already trained for the special projects.
  - The District Coordinator verifies the worker's status through e-verification, hires the workers at a set wage, has the workers complete time sheets, and signs the reimbursement form that shows the amounts paid and check numbers that are given to the District board for approval and reimbursement to Backwoods. Our testing noted that all time sheets were not signed by the workers or signed and approved by a board member.

Criteria:

The Internal Revenue Service and the state and federal Department of Labor have guidelines for distinguishing between employees and independent contract labor.

Cause:

The District has always paid wages to workers through Backwoods as independent contractors and not as employees.

**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

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Effect:

The District may not have withheld the required Social Security and Medicare from all workers and provided the required match.

Recommendations:

We recommend the District:

- A. Consult with a tax specialist concerning the wages paid separately to the District Coordinator on the special projects versus wages paid as the District Coordinator to determine whether Social Security and Medicare should have been withheld and the District's portion to be paid also.
- B. Consult with a tax specialist or contact the Department of Labor regarding the use of day laborers or workers and how they should be compensated, either as employees or as independent contractors. The use of workers for special projects should be advertised in local newspapers to give all citizens a chance at deciding on wanting employment with the District on these projects. All timesheets should be signed and dated as approved by a board member.

Response:

*The District partially agrees with the findings and recommendations. As the auditor states in the second paragraph of part A, "It is not clear." There have been at least a few opinions on how additional workers and the District Coordinator should be paid for the labor they provide on these important District-wide projects. In 2009 and 2010, all of the workers, including the District Coordinator, were paid for their additional work on the collections from the businesses bank account of the District Coordinator called "Backwoods." Backwoods is the name of the farm and farm account of the District Coordinator and her husband. Backwoods was reimbursed by the District. Backwoods filed 1099-MISC forms for all of the workers. The workers paid the taxes on the wages they earned at the collections as if they were private contractors. In 2011, the District Coordinator, as well as some of the workers were paid directly by the District. The District filed 1099-MISC forms for 2011 and again the workers shouldered the entire tax burden for their wages. In an effort to resolve this issue, a tax attorney was consulted. Starting in 2013, all additional laborers used on projects will be classified as employees of the District and will have Social Security and Medicare deducted from their check and matched by the District. The workers' earnings will be reported on a W-2 form. The additional funds needed for match will come from the funds of the individual grant project.*

*Additionally, in response to the auditor's query that concerning Social Security and Medicare on part of the wages received by the District Coordinator and the affect on the retirement SEP plan the Social Security and Medicare amounts on the additional wages have been calculated for 2012 for both the District*

**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

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*Coordinator and the District. This sum will be paid by both parties as part of the next payroll period. The SEP account is not affected as it is a set amount rather than a percentage.*

**7. District Office Location and Access to Public Records in Question**

**Condition:**

The District office is located at the private home of the District Coordinator approximately 15 miles from the city of Houston with a Eunice address. Our review of the location of the office noted the following concerns:

- The District does not have its records on the Internet for the general public to access and records must be obtained at the District office or mailed or delivered to the public when requested. The physical location of the District office could be questioned since the public must access the office through a personal gravel driveway off of a state highway.
- The District office in the personal residence of the District Coordinator may not meet the guidelines per Americans with Disabilities Act (ADA) requirements as required in the GTC and should be reviewed. The office, which is open to the public, may not be readily accessible to people with disabilities that may want to do business at the office, especially for those in wheel chairs, and may not provide equal access to building facilities. A ramp is not provided at the front office door and access to enter the district office requires the negotiation of steps. The District Coordinator indicated that a side entrance leading directly into the District Coordinator's office could be accessible to the handicapped. The home lavatory facility may also not meet the ADA requirements for accessibility.

**Criteria:**

The Americans with Disabilities Act requires that all public buildings be accessible to people with disabilities and provide equal access to building facilities. Section II.A.11. of the GTC requires that the districts follow the statutory regulations pertaining to "The Americans with Disability Act of 1990 (ADA), P.L. 101-336, 42 U.S.C. §12101 et. seq.," as amended, relating to nondiscrimination against individuals with disabilities.

**Cause:**

The District had the office at this location for a number of years without any concerns noted or actions taken.

**Effect:**

The District may be restricting the public from accessing the location of the office for the benefit of doing business at its location, and could be subject to sanctions and penalties under the law.

**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

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Recommendation:

We recommend the District review the need for recording its records on the District's website for use by the general public and also review the current office location to determine that it meets the general public needs for access to conduct business. The Executive Board should consult with outside specialists to determine that the District office at the personal residence meets required ADA specifications.

Response:

*For whatever reason, the SWMP at DNR has decided after 19 years, they do not want the Region P office to be located in the residence of the District Coordinator. In the "Terms and Conditions" dated May 25, 2012, public access required by the Sunshine Law is given as the reason. The Missouri Attorney General said that this was a misinterpretation of the law. So, other motives to close the office are being tried. This is a case where the auditor may have allowed his integrity to be compromised by his financial insecurity. Even before this issue was instigated, it was decided by the District Coordinator that the Region P office would be moved. The auditor's report is misleading concerning the office location and the implications are ridiculous and insulting and will be challenged.*

*The Region P office is located off State Highway 17 fifteen miles southeast of the City of Houston, Missouri, and nine miles north of the City of Summersville, Missouri, in Texas County, Missouri. We believe that that auditor was coerced into declaring that a white chat driveway is a physical impairment to the public wanting to receive information from the District office. The District is not sure what "records" the DNR would have us put on the Internet. We will provide those records as necessary. While the District does not have a Website, District collection activities and other information are listed with EARTH 911, and other websites. Information on how to contact the District can be obtained from the DNR site. An internet search of "South Central Solid Waste Management District/Region P/in Eunice, MO" or most any combination of those words will get over 13 million responses. A search of Google maps will give directions directly to the office. The general public, DNR officials, delivery trucks, even state legislatures have found their way to the office to get information on the District and its many activities. Many people access district grant forms over the internet. We have had two sunshine law requests for information in 19 years. One was handled by sending information over the internet; the other required a lobbyist to drive to the office. Using the United States postal service is still a viable way to send and obtain information. The General Public has more access to the South Central Solid Waste Management District than most offices because it is a home office. The phone is answered early in the morning and on nights and weekends as well as every day someone is in the office.*

**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

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*There is a sign on the District office door giving the time and days of regular office hours. There is a sign at the gate near the driveway turn-around giving the office hours. The sign also gives emergency contact information if the gate and thus the office is closed. The gate is closed and locked to protect the District equipment and records when no one is on site.*

*The auditor was given information on the Americans with Disabilities Act accessibility requirements from the National Institute on Disability and Rehabilitation Research. The auditor was also given information on how to contact that agency (800-949-4232) to verify that the District office needed only to provide what was "readily available". The auditor will continue to apply terms and conditions to the District office that were not even in effect for the audit term being reviewed. The auditor tries to apply terms and conditions that are arbitrary and capricious and exceed the law to look for reasons that the District office is not suitable. The office at 5436 Hwy 17 in Eunice, Mo will close by the end of FY 2013 (June 30, 2013) by choice, not by force from DNR.*

*Auditor's Comment: Upon contacting the agency noted in the response, the individual at the agency we spoke with indicated that the location of the office may be questionable to people but the District mainly needs to provide for "program accessibility" whereby records are to be readily available to everyone by the same means. The individual at the agency also indicated that the state that controls the grant funding of the District is ultimately responsible for ensuring that an office is ADA compliant or that total program accessibility is met.*

**8. Administrative Contract and Contract with Backwoods Questionable**

**Condition:**

We noted the following issues related to the administrative contract and separate contract with Backwoods during the engagement period:

- A. The annual administrative services contract with the District Coordinator, noted in Finding 6 above, provides for the payment of telephone, as needed. The actual costs for use of the Internet, telephone, and cell phone by the District are not detailed in the contract. Part of the bundle of services provided to the District through the District Coordinator's personal accounts also includes reimbursement for services at a residence in West Plains that is sometimes used for business purposes. All of these services should be detailed in the contract to ensure the Executive Board is knowledgeable of all services provided to the District and reimbursed from district funds.
- B. The District had a separate written contract with Backwoods Services LLC, a company owned by the District Coordinator and her husband, for FYs

**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

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2009 and 2010 for providing temporary funding for payment of goods and services for grant projects along with the payment for the rental of office space and for storage space of District equipment at the personal residence. For FY 2011, the separate written contract was no longer used and the terms were then included in the District's annual policy document approved by the Full Council. Our review of this contract noted the following concerns:

- The total amount paid or reimbursed to Backwoods per fiscal year is greater than \$25,000. This would appear then to require the bidding of services by the District for outside services in accordance with state law on purchasing and the GTC, which is not being done. This situation may also violate Section 105.454 of the state law for bidding services in excess of \$500 per transaction or over \$5,000 per year since being an appointed employee of a political subdivision of the state serving in an executive or administrative capacity.
- Since Backwoods consists of the District Coordinator and her husband, this could represent not only related party transactions for the District but also a conflict of interest situation since they are employees of the District.
- As noted earlier, Backwoods obtains workers for certain projects and we noted the use of relatives on these projects. This could be considered nepotism on the part of the District Coordinator and should be reviewed by the Executive Board for the best interest of the District.
- The reimbursement to Backwoods monthly for services performed is approved and signed by the applicable board members, but the actual check image is not attached to the invoices, timesheets, etc. presented for reimbursement. This is necessary for the board to ensure that the actual payments made by Backwoods are being reimbursed properly.

Criteria:

Good business practices require that all terms for payment of items under the contract be included in detail within the written contract. Also, Section I.I.7. of the GTC requires that accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents. Appropriate electronic verification of cleared checks may also be considered source documentation in lieu of actual cancelled checks.

1 CSR 40 and Section E of the DNR Guidance Document requires that districts and district subgrantees receiving Solid Waste Management Fund financial assistance are required to obtain bids for all purchases according to Section 34.040 RSMo. This section requires bids on purchases of \$25,000 or greater to

**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

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have a minimum of three competitive bids, advertised in at least two daily newspapers at least 5 days before bid opening.

Section 105.454(1), RSMo provides that no elected or appointed official or employee of the state or any political subdivision thereof, serving in an executive or administrative capacity, shall perform any service for any agency of the state, or for any political subdivision thereof in which he or she is an officer or employee or over which he or she has supervisory power for receipt or payment of any compensation, other than of the compensation provided for the performance of his or her official duties, in excess of five hundred dollars per transaction or five thousand dollars per annum, except on transactions made pursuant to an award on a contract let or sale made after public notice and competitive bidding, provided that the bid or offer is the lowest received.

Good business practices dictate that publication of openings for employment opportunities should be advertised in a newspaper of general circulation in order to give the general public a fair opportunity to apply for a job opening.

Cause:

The District has always followed and applied the same contracts annually.

Effect:

The District may have violated state law regarding state purchasing procedures for contract services greater than \$25,000 and for payment of services to an appointed employee of the state.

Recommendations:

We recommend the District:

- A. Amend the administrative services contract with the District Coordinator to include the payment provided by the District for the use of the Internet, cell phone, telephone, and the personal residence at West Plains.
- B. Review the state purchasing procedures regarding the services provided by Backwoods to ensure that proper purchasing procedures are followed including the solicitation of competitive bids for administrative services over \$25,000 as required by state law. The Executive Board should also review the conflict of interest situation and related party transactions on services provided to the District to ensure that state laws are not violated.

Response:

*The District partially agrees with the findings and recommendations. Any new contracts between the District and service providers will specify what services will be provided and the cost of those services.*

**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

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*Backwoods Services LLC was a separate entity that contracted with the District from August 2005 to August 2008. In 2008, Backwoods Services LLC dropped its incorporation. In 2009 and 2010 "Backwoods" contracted with the District.*

*Another contract has been between the District and the District Coordinator. This was an employee management contract that set out the duties she will perform for the District and the compensation that she will receive for satisfactorily performing those duties. It should be noted that the Roehls provided the office space, equipment, and storage space for District supplies and equipment for several years. The value was used as match for the District Operations Grant from 1993 until 2006. It was suggested in a prior audit that the Roehls do an actual charge for the office and storage when match was no longer required. The fee paid was only \$200/month for rent and \$200/month for storage. It has not increased.*

*Comparison information on the cost of renting other office space and protected storage space has been evaluated. Similar size office space without room to store equipment and supplies would rent for \$450/month. The District would have to supply its own office equipment or add that to the rental price. As mentioned before, the office of the South Central Solid Waste District will be moved to a new location by July 1, 2013, the start of FY 2014.*

*This was not "payment for service" but was reimbursement for mileage, supplies, equipment, disposal, and costs to hire day laborers. The auditor was given lists of the reimbursements by grant project so he knows; he even refers to it as "reimbursements" in the last bulleted statement. It should also be noted there was never a charge for the use of the Roehl's business account money. No state money was ever placed in this account only reimbursement after payment. Basically, this was a free short-term loan for District Operations.*

*The District Coordinator never attempted to hide the fact that her granddaughter works with her on many projects. She is well known to the Executive Board members.*

*In the future, the District will advertise for trained part-time employees to work on projects. Backwoods will no longer be used to pay bills for goods and services during the monthly operations. A separate account will be set up that the employees of the District will use to pay for goods and services with guidelines set up by the District Board.*

**9. Lack of Adequate Board Oversight over District Expenditures**

**Condition:**

Since there is only a District Coordinator and her husband as employees of the District, there is a lack of segregation of duties and the District Executive Board

**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

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needs to be more involved in the controls over the District expenditures. This condition has also been noted in the financial audit reports of the District for fiscal years 2009-2011 and is considered a significant deficiency for adequate internal controls over financial statement presentation. A summary of deficiencies are noted as follows:

- As noted earlier, no documented bank reconciliation is formally prepared for review by the board monthly. A board member should be designated to prepare monthly bank reconciliations along with the assistance of the District Coordinator.
- The monthly bank statements should be reviewed in detail by a board member to ensure that all transactions are appropriate for the District and canceled checks have proper signatures.
- All supporting documentation is not signed and dated for the payment of expenditures to ensure that all payments are for proper uses of District funds.
- Written policies and procedures should be developed regarding conflict of interest positions or situations and related party transactions along with credit card usage, reimbursement of internet, telephone, and cell phones used for District purposes.
- The board should ensure that state purchasing procedures and the GTC are followed on all bids resulting in the district purchasing goods or services.

Criteria:

Section I.1.3. of the GTC requires that effective control to prevent loss or misuse and accountability shall be maintained for all District and District Subgrantee cash, real and personal property, and other assets. In addition, good business practices and strong internal controls dictate that adequate segregation of duties and reviews by independent persons should be made to ensure that financial transactions are appropriate.

Cause:

The District has not addressed the need for proper segregation of duties or proper oversight by the District Board in regards to the District financial transactions.

Effect:

The District could have subjected itself to a loss of assets.

Recommendation:

We recommend the District institute policies and procedures regarding the preparation, review, and approval of bank reconciliations, bank statements, authorized check signatures on checks, invoices, and credit card statements, and ensure that proper bids are taken on all purchases in accordance with state purchasing procedures.

**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

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*Response:*

*The District board agrees with these last findings. Every attempt will be made to provide an extra layer of oversight on all District expenditures.*

The responses were provided to us by the District Coordinator upon discussion with and approval of the Executive Board on October 18, 2012 at its board meeting. However, the District would not provide formal approved signed responses regarding the audit report.

**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT  
SCHEDULE OF PRIOR FINDINGS**

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The prior agreed upon procedures (AUP) engagement was conducted by an audit firm contracted by the Missouri Department of Natural Resources for the three fiscal years ended June 30, 2006. Of the thirteen prior findings, nine have been implemented by the District and four have not been fully implemented.

1. Executive Board Size Greater Than State Law Requirement

Condition: The District has a total of ten members on the Executive Board, which is greater than the seven members allowed by state law since the District has a Council of greater than 12 members.

Current Status: Partially Implemented. In 2007, The District obtained information through the DNR for proper wording to change the District by-laws to adopt the alternative management structure. The District then obtained approval from each county in the District in July 2007 to maintain the total number of members on the Executive Board at ten, including one Council member from each of the seven member counties, two at-large members, and the District Coordinator who is a non-voting member. However, the District did not obtain final approval from the DNR on the change to its by-laws for the alternative management structure.

2. Council and Executive Board Minutes Not Signed or Attested to by a Member

Condition: The Council and Executive Board minutes were not signed by the secretary to the Council and Executive Board and attested to by the Chairman or another member.

Current Status: Not Implemented. See current finding No. 1.

3. Board Minutes Not Indicating Votes on Motions

Condition: The board minutes did not indicate the vote of each Council and Executive Board member when motions are voted upon. The wording included in the minutes was mainly that the "Motion Carried".

Current Status: Implemented.

4. Board Agendas Regarding Closed Sessions

Condition: The agendas for Council and Executive Board meetings did not disclose that a meeting would be closed in accordance with the specific section of the law, although no closed sessions were held.

**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT  
SCHEDULE OF PRIOR FINDINGS (CONTINUED)**

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Current Status: Implemented. The District did not have any closed session meetings during the three years ended June 30, 2011.

5. Possible Conflict of Interest on Approving Grant

Condition: A possible conflict of interest situation occurred when an Executive Board member, who is also a board member of the Oregon County Recycling Association, did not abstain from voting in the board minutes for approving the Associations' grants submitted for funding to the Department although the individual abstained in the evaluation of the grant for funding.

Current Status: Implemented.

6. Checks Not Having Dual Signatures

Condition: The District wrote ten checks totaling \$10,851.08 during the year ended June 30, 2006, without having two signatures on the checks.

Current Status: Not implemented. See current finding No. 4.

7. Signature Card at Depository Bank Not Updated

Condition: The signature card at one of the District's depository banks had not been properly updated for the signatures of the Executive Board members that sign checks.

Current Status: Implemented.

8. Surety Bond Not on File to Cover Board Members

Condition: A surety bond is not on file with the District to cover the Secretary, Treasurer, and the other Executive Board members that are authorized to sign checks.

Current Status: Implemented.

9. Original Budgets Not Amended for Spending of Interest Income

Condition: The District received and spent interest income on two subgrants without amending the original budget and submitting them to the Department for approval. One grant used interest income (2005-12) to complete the grant expenditures that exceeded the original grant funding amount while a second grant (2005-09) used interest income for additional expenses.

Current Status: Implemented.

**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT  
SCHEDULE OF PRIOR FINDINGS (CONTINUED)**

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10. No Detailed Listing of Capital Assets Maintained

Condition: The District is not maintaining a detailed listing of capital assets that it owns or what the various subgrantees have purchased through grants.

Current Status: Implemented.

11. UCC-1 Security Interest Forms Not Used by the District

Condition: The District is not using the required UCC-1 security interest forms as required on capital assets such as buildings constructed by the subgrantees to hold the security interest for the state.

Current Status: Implemented.

12. District Quarterly Reports to the Department Not Accurately Presented

Condition: The District's quarterly reports to the Department were not accurately presented because the administration grant expenditures (2006-01) reflected the amount transferred to the admin bank account and not what was actually spent during the quarter or the year. Also, the quarterly report for the period ended June 30, 2006 was not properly stated for three grants (2006-02; 2006-03; and 2006-04) because some expenditures incurred in July 2006 were improperly reflected as June 2006 expenditures. Therefore, the District's report did not accurately reflect the ending balance in each of the grant funds and the administration account and did not balance with the total of the reconciled cash balances for the checking accounts plus the amount held in the certificate of deposit.

Current Status: Not Implemented. See current finding No. 2.

13. Mileage Paid to District Coordinator in Excess of Employment Contract

Condition: During the review period, the District Coordinator was paid the standard mileage allowance approved by the Executive Board but more than what was approved in the employment contract.

Current Status: Implemented.

The prior financial audits for FYs 2009-2011 were conducted by an independent audit firm contracted by the District in accordance with DNR guidelines. A similar finding was presented in each of the annual audits as follows:

**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT  
SCHEDULE OF PRIOR FINDINGS (CONTINUED)**

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Condition: The District's bookkeeper is basically responsible for all areas of the accounting cycles; therefore, an adequate segregation of duties and responsibilities is not present to ensure that internal accounting controls can be achieved. The size and budget constraints of the District limit the application of adequate segregation of duties. These areas should be reviewed periodically and consideration given to improving the segregation of duties.

Current Status: Not implemented. See Finding Nos. 3, 4, and 9.

**APPENDICES**

**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT  
SCHEDULE OF STATE FUNDING**

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Year Ended June 30, 2011

Total state funding payments to district	\$299,125
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Year Ended June 30, 2010

Total state funding payments to district	\$335,405
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Year Ended June 30, 2009

Total state funding payments to district	\$385,497
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APPENDIX 2

SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT - REGION P  
 SCHEDULE OF GRANT FUNDING, DISBURSEMENTS, AND GRANTS CASH BALANCES  
 JUNE 30, 2009

Project Grant Number	Project Name	DNR Program Funding Amount	Carryover Funds Obligated	Program & Interest Income Allocated	Total DNR Program Funding	Total Disbursements	Grants Cash Balance
P2008-7	School chemical cleanouts	\$ 25,000	\$ -	\$ -	\$ 25,000	\$ 16,517	\$ 8,483
P2008-13	Wages-Shannon County	9,600	-	-	9,600	8,748	852
P2008-16	Texas County recycling	16,360	-	-	16,360	12,432	3,928
P2009-1	District Administration	82,217	-	-	82,217	45,426	36,791
P2009-2	Technical Assistance	50,000	-	-	50,000	35,222	14,778
P2009-3	Household hazardous waste collections	30,000	-	-	30,000	22,850	7,150
P2009-4	Electronics collections	30,000	-	-	30,000	23,928	6,072
P2009-5	Scrap tire amnesty days	32,000	-	-	32,000	18,321	13,679
P2009-6	Illegal dumping	25,000	-	-	25,000	16,935	8,065
P2009-7	Wages-Ozark County recycling center worker	14,560	-	-	14,560	4,760	9,800
P2009-8	Wages-Douglas County Sheltered Workshop, Inc.	14,560	-	-	14,560	2,240	12,320
P2009-9	Shannon County recycling	11,800	-	-	11,800	-	11,800
P2009-10	OCRA truck	25,000	-	-	25,000	22,852	2,148
Totals		\$ 366,097	\$ -	\$ -	\$ 366,097	\$ 230,231	\$ 135,866

Note: The quarterly project financial summary report submitted by the District to the DNR included an amount of \$13,190.01 as funds remaining at the District; however, the composition of this amount was not identified by the District. This is the balance of the certificate of deposit per the District records.

Program and interest income	1,350
Carryover unobligated	2,094
Adjusted grants balance	139,310
<u>Cash Balances per Records</u>	
Checking account	157,234
Certificate of deposit	13,190
Total Cash Balance	170,424
Unreconciled difference	\$ (31,114)

APPENDIX 2

SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT - REGION P  
 SCHEDULE OF GRANT FUNDING, DISBURSEMENTS, AND GRANTS CASH BALANCES  
 JUNE 30, 2010

Project Grant Number	Project Name	DNR Program Funding Amount	Carryover Funds Obligated	Program & Interest Income Allocated	Total DNR Program Funding	Total Disbursements	Grants Cash Balance
P2009-9	Shannon County recycling	\$ 11,800	\$ -	\$ -	\$ 11,800	\$ 7,902	\$ 3,898
P2010-1	District Administration	85,000	-	-	85,000	43,002	41,998
P2010-2	Technical Assistance	50,000	-	-	50,000	39,417	10,583
P2010-3	Household hazardous waste collections	30,000	-	5,000	35,000	17,685	17,315
P2010-4	Electronics collections	30,000	-	5,000	35,000	21,596	13,404
P2010-5	Scrap tire amnesty days	30,000	-	-	30,000	15,298	14,702
P2010-6	Illegal dumping	24,154	846	5,000	30,000	23,088	6,912
P2010-7	OCRA labor for recycling center	6,531	624	-	7,155	7,155	-
P2010-8	Texas County cardboard recycling program	17,920	-	-	17,920	11,950	5,970
P2010-9	Balers for the Mountain View recycling program	15,000	-	-	15,000	14,745	255
P2010-10	Labor for the Ozark County recycling center	15,600	-	-	15,600	-	15,600
P2010-12	Wages-Douglas County Sheltered Workshop, Inc.	15,600	-	-	15,600	-	15,600
P2011-7	OCRA labor for recycling center	15,600	-	-	15,600	-	15,600
Totals		\$ 347,205	\$ 1,470	\$ 15,000	\$ 363,675	\$ 201,838	\$ 161,837
						Program and interest income	5,171
						Adjusted grants balance	167,008
						<u>Cash Balances per Records:</u>	
						Checking account	154,636
						Certificate of deposit	13,328
						Total Cash Balance	167,964
						Unreconciled difference	\$ (956)

APPENDIX 2

SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT - REGION P  
 SCHEDULE OF GRANT FUNDING, DISBURSEMENTS, AND GRANTS CASH BALANCES  
 JUNE 30, 2011

Project Grant Number	Project Name	DNR Program Funding Amount	Carryover Funds Obligated	Program & Interest Income Allocated	Total DNR Program Funding	Total Disbursements	Grants Cash Balance
P2010-10	Labor for the Ozark County recycling center	\$ 15,600	\$ -	\$ -	\$ 15,600	\$ 15,600	-
P2010-11	Shannon County recycling	11,800	-	-	11,800	7,378	4,422 A
P2010-12	Wages-Douglas County Sheltered Workshop, Inc.	15,600	-	-	15,600	15,600	-
P2011-01	District Operations	76,997	4,503	-	81,500	44,049	37,451
P2011-02	Technical Assistance	42,500	-	-	42,500	24,910	17,590
P2011-03	Household hazardous waste collections	29,496	504	-	30,000	17,819	12,181
P2011-04	Electronics collections	27,543	2,457	-	30,000	14,456	15,544
P2011-05	Waste tire collections	23,776	224	-	24,000	13,843	10,157
P2011-06	Illegal dumping identification, clean-up and prevention	22,713	2,287	-	25,000	8,735	16,265
P2011-07	OCRA labor for recycling center	15,600	-	-	15,600	10,440	5,160
P2011-09	Texas County cardboard recycling program	17,500	-	-	17,500	10,544	6,956
P2011-10	Labor for the Ozark County recycling center	15,600	-	-	15,600	-	15,600
P2011-11	OCRA labor for recycling center	15,600	-	-	15,600	-	15,600
P2011-12	Wages-Douglas County Sheltered Workshop, Inc.	15,600	-	-	15,600	-	15,600
<b>Totals</b>		<u>\$ 345,925</u>	<u>\$ 9,975</u>	<u>\$ -</u>	<u>\$ 355,900</u>	<u>\$ 183,374</u>	<u>\$ 172,526</u>

Note:

A. The quarterly project financial summary report showed a balance of \$5,522 creating a \$1,100 difference.

Program and interest income	7,659
Adjusted grants balance	<u>180,185</u>
<u>Cash Balance per Records:</u>	
Checking account	167,887
Certificate of deposit	<u>13,398</u>
Total Cash Balance	<u>181,285</u>
Unreconciled difference	<u>\$ 1,100</u>