

**Performance Audit Resolution**  
**Region E – Mid-America Regional Council Solid Waste Management District**  
December 31, 2009, 2010 and 2011

**1. Appointment of Advisory Committee Appears Optional**

*Auditor Recommendation:*

We recommend that the District amend its by-laws to require an advisory committee composed of representatives set forth in RSMo 260.320.3(7).

*District Response:*

The District agrees with the finding and recommendation. While the District has held annual advisory committee meetings since 2007, the Executive Board will review and make needed amendments to the District's by-laws (Article IX – Committees) to require use of an advisory committee to assess and make recommendations on solid waste management. As set forth in RSMo 260.320.3(7), the by-laws will require that the committee be geographically balanced and composed of representatives of commercial generators, representatives of the solid waste management industry, and two citizens unaffiliated with a solid waste facility or operation. The by-laws will be revised in early 2013.

*SWMP Response:*

The SWMP agrees with the auditor's recommendation. Periodic review and approval of the District's bylaws by the Executive Board is necessary to ensure consistency with the District's actual practices and compliance with state law.

The audit found the District's practice in compliance with requirements related to its advisory committee appointment, membership and meetings. However, the audit found that the District's bylaws are not specific with regard to composition of the advisory committee and are worded in a way that appears to make the appointment of the advisory committee optional.

The District's planned actions are responsive. However, finding #1 will remain open until the bylaws revisions have been completed and a copy provided to the SWMP along with a copy of the signed minutes documenting the board review and approval of the bylaws amendments.

**2. Unsanctioned Change in Form of Entity**

*Auditor Recommendation:*

We recommend that the Board vote to rescind its earlier decision and that the Articles of Incorporation not be filed.

*District Response:*

The District Executive Board will review the rationale behind District Incorporation. If it is deemed to no longer be necessary or desired to incorporate, the Executive Board will vote to rescind the decision to incorporate. However, if incorporation is still deemed to be necessary or

desired (e.g., as in creating a non-profit organization under the District), the Board will move forward with the process.

*SWMP Response:*

The SWMP concurs with the auditor's recommendation. The District is a body corporate and politic of the state (260.305 RSMo) and there are no provisions for changing the District's legal status from its current form to a not-for-profit corporation. However, a decision to establish some type of subsidiary organization is vested with the district.

The audit found that the minutes of the September 21, 2011 Executive Board meeting documented board approval of articles of incorporation for the District to become a not-for-profit corporation. However, the articles had not yet been filed with the Secretary of State.

The District's planned actions are not responsive to the audit finding. Rather than reversing its earlier decision, the District indicated that it would reevaluate the need or desire to incorporate and determine whether to vote to rescind its earlier decision or move forward with the incorporation process. Finding #3 will remain open pending the District Board's action to rescind its earlier decision and to void the yet-to-be filed Articles of Incorporation.

**3. Inadequate Documentation of Approval in Minutes**

*Auditor Recommendation:*

Minutes should be reviewed by the officers of the board to ensure completeness and compliance with statutes.

*District Response:*

The District agrees with the finding and recommendation. The District's current policies and procedures manual includes a section regarding meeting minute contents. The District Executive Board will review and revise this section to assure that meeting minutes attribute each "yea" and "nay" vote, or abstinence if not voting, to the name of the individual Executive Board member. The policy and procedure will be reviewed and revised early in 2013.

*SWMP Response:*

The SWMP agrees with the auditor's recommendation. Board review and approval of meeting minutes is necessary to ensure completeness and compliance with statutes and to ensure the minutes accurately represent actions taken by the Board during their meetings.

The audit found that the minutes of the November 18, 2009 meeting were incomplete and did not include the vote of the members approving the projects to be funded in FY 2010 which leaves the District grant approvals open to challenge.

The District's planned actions are responsive. However, the District's response only addresses compliance with the requirement that meeting minutes attribute each "yea" and "nay" vote, or abstinence if not voting, to the individual Executive Board member. It is important to note that the auditor's recommendation is not confined to this requirement. Rather, the auditor

recommended that minutes be reviewed by the officers of the board to ensure completeness and compliance with statutes.

Finding #3 will remain open until the policies and procedures revisions have been completed and a copy provided to the SWMP along with a copy of the signed meeting minutes documenting the board review and approval of the amended policies and procedures.

#### **4. Inadequate Conflict of Interest Policy**

*Auditor Recommendation:*

We recommend that the District's Executive Board adopt its own conflict of interest policy that includes all requirements of 10 CSR 80-9, and adopt appropriate procedures to ensure annual review and recordkeeping.

*District Response:*

The District agrees with the finding and recommendation. A conflict of interest policy will be developed that includes all components of 10 CSR 80-9. The new conflict of interest policy will be prepared and adopted by the District's Executive Board in early 2013.

*SWMP Response:*

The SWMP agrees with the auditor's recommendation. Adopting an adequate conflict of interest policy and related procedures that provide for annual disclosure and review of potential conflict of interest; guidelines of operation when such conflict may or appear to exist; and maintenance of records of potential conflict is necessary to identify and prevent or resolve such conflict.

The audit found that while the District's policy requires board and committee members to disclose any potential conflict of interest, it does not specify how and to whom the potential conflict of interest is to be disclosed. Furthermore the district does not maintain records of potential conflicts of its members.

The district's planned actions are responsive. However, finding #4 will remain open until the policy and related procedures have been completed and a copy provided to the SWMP along with a copy of the signed minutes documenting the board review and approval and copies of individual disclosure statements signed by executive board and committee members.

#### **5. Chasing Arrows Symbol Not Displayed**

*Auditor Recommendation:*

We recommend that the District change its letterhead to include the chasing arrows logo.

*District Response:*

The District agrees with the finding and recommendation. The District's electronic letterhead has been modified to include a printable version that includes the "chasing arrows" logo.

*SWMP Response:*

The SWMP agrees with the auditor's recommendation. The audit found that the District's letterhead contained a footer describing the recycle content of the paper; however, the chasing arrows logo was not displayed on the letterhead.

The District actions taken are responsive. Since the district's letterhead now includes the chasing arrows logo, the SWMP considers finding #5 closed.

**6. Inadequate Documentation of Eligible Costs - Questioned Costs - \$17,500**

*Auditor Recommendation:*

We commend the District for devising a method of tying the results of subgrantee efforts to the amount of funding provided under this grant. However, we recommend that the District require the subgrantee to provide documentation of at least \$17,500 in eligible costs for outreach during the grant period (\$14,000 in grant funds, plus \$3,500 in matching expenses.) If this documentation cannot be provided, we recommend the District work with DNR and the subgrantee to resolve the questioned costs.

*District Response:*

The District agrees with the finding and recommendation. The District will require subgrantee to provide documentation of at least \$17,500 in eligible costs for outreach during the grant period (\$14,000 in grant funds, plus \$3,500 in matching expenses.) The subgrantee has been contacted and has agreed to provide the requested documentation by November 30, 2012.

*SWMP Response:*

The SWMP agrees with the auditor's recommendation. Supporting documentation is necessary to determine that reimbursements made by the District to subgrantees were for eligible costs related directly to the project during the grant period.

The audit found cost of \$14,000 in district grant funds and \$3,500 in matching expenses related to project 2009-009, were not adequately supported by documentation.

The District's planned actions are responsive. However, finding #6 will remain open until the District obtains from the subgrantee and provides to the SWMP copies of adequate supporting documentation. If adequate supporting documentation cannot be obtained from the subgrantee this amount will be disallowed.

**7. Inadequate Documentation of Compliance with Bidding Requirements**

*Auditor Recommendation:*

We recommend that the District obtain the bidding documentation for the two subgrants listed above from the subgrantees and ensure that bidding requirements were met. We recommend that future subgrantees be required to provide documentation of compliance with bidding

requirements, and that this documentation be reviewed by the program administrator in order to ensure compliance with the above criteria.

*District Response:*

The District agrees with findings and recommendation. The Executive Board will review and make needed amendments to the District's policies and procedures to provide that subgrantees submit documentation of: (1) compliance with bidding requirements and (2) affirmative steps taken to procure goods and services from certified M/WBEs. The District's policies and procedures will be amended in early 2013. This item also will be added to the grant administrator's procedural checklist to ensure that documentation is received.

*SWMP Response:*

The SWMP agrees with the auditor's recommendation. Supporting documentation is required to make sure that subgrantees who are awarded district grant funds follow proper procurement processes in selecting vendors to accomplish the tasks required by the grant.

The audit found that grant files for projects 2010-06 and 2011-02 did not contain documentation to demonstrate compliance with bidding requirements.

The District's planned actions are partially responsive. The District's comments do not address the auditor's recommendation specific to projects 2010-06 and 2011-02 and are therefore considered nonresponsive with respect to that recommendation.

With respect to the auditor's recommendation related to future compliance, the District's planned actions are responsive. However, the District only commits to reviewing and amending the District's policies and procedures to provide that documentation of compliance is submitted by the subgrantee and received by the District. It is important to note that the auditor also recommended that the documentation be reviewed and evaluated by the District for compliance with requirements.

Finding #7 will remain open until the District provides to the SWMP written notification and appropriate documentation that the bidding documentation for projects 2010-06 and 2011-02 has been obtained and reviewed by the District for compliance and the policies and procedures revisions have been completed. A copy of the amended policies and procedures and a copy of the signed minutes documenting the board review and approval will also need to be submitted to the SWMP.

**8. Inadequate Certification of Subgrantee Invoices**

*Auditor Recommendation:*

We recommend that the District begin requiring the appropriate certification on all subgrantee invoices prior to disbursing funds.

*District Response:*

The District agrees with the finding and recommendation. The District has revised the invoice certification to read: "I certify to the best of my knowledge and belief the data above are correct and that all outlays were made in accordance with the grant assistance agreement and that payment is due and has not been previously requested." The phrase "or will be made" in reference to outlays has not been included on the revised invoice because the District does not reimburse subgrantees in advance of actual expenditures.

The revised invoice form has been provided to all current subgrantees and use of the new invoice form will be required for future reimbursement of funds on existing and future grants.

*SWMP Response:*

The SWMP agrees with the auditor's recommendation. The audit found that for 11 of the 14 subgrants reviewed, the invoices for reimbursement submitted to the District by the subgrantees did not include the required certification.

The District actions taken are responsive. However, Finding #8 will remain open until the District provides a copy of the revised invoice for the SWMP audit file to document the appropriate certification is now on the subgrantee request for reimbursement .

**9. Failure to Recognize DNR as Source of Funding**

*Auditor Recommendation:*

We recommend the District follow up with the above subgrantees and ensure that the required signage is installed. We further recommend that this requirement be emphasized to all future subgrantees, and that compliance be confirmed by the District.

*District Response:*

The District agrees with the finding and recommendation, in part.

With respect to subgrant E2010-007, the subgrantee does have a sticker acknowledging DNR and the District affixed to the staff office building, which the District concurs is inadequate. The subgrantee has been notified of the need for additional signage for site improvements. The subgrantee has been given until November 30, 2012 to install additional signage.

With respect to subgrants E2009-008 and E2011-007, the District funded a total of 46 glass recycling bins to be placed within the District. However, the glass recycling facility has many more additional bins, both at the facility and at drop-off sites, which were not purchased with District funds and should not be expected to display the DNR and District logos. Those may have been bins that were observed by the auditor. The District is confident that District funded bins have the appropriate logos affixed.

*SWMP Response:*

The SWMP agrees with the auditor's recommendation. Signage recognizing the department as a funding source must be displayed. It is the District's responsibility to ensure this requirement is clearly communicated to subgrantees during the application and grant award process and to confirm compliance during on-site inspection of subgrantees projects.

The audit found that site improvements to a recycling center and recycling bins purchased by the District's subgrantees with district grant funds did not adequately identify the department as a funding source or display the department's logo.

The district's actions taken and planned are partially responsive. The district comments do not address the auditor's recommendation related to future compliance and are therefore considered nonresponsive with respect to that recommendation. With respect to project E2010-007, the District's actions taken and planned are responsive. However, the District's comments related to projects E2009-008 and E2011-007 are nonresponsive. Rather than following up to ensure the required signage is installed, the District indicated that it is confident that appropriate logos are already in place. No documentation supporting the district's confidence that the bins exist and are labeled has been provided.

Finding #9 will remain open until the district provides written notification and appropriate documentation (i.e., pictures) to the SWMP that appropriate signage has been installed at the recycling center and that the district has confirmed the 46 recycling bins purchased with district grant funds display the appropriate logo.

## **10. Inadequate Documentation of Subgrant Evaluation Process**

*Auditor Recommendation:*

We recommend that the notes from the Evaluation Committee discussion include resolution of risks noted, or that appropriate special conditions be included in the grant agreement.

*District Response:*

The District agrees with the finding and recommendation. Notes from the Grant Review Committee discussion will include resolution of risks noted or a synopsis of appropriate special conditions that were included in the grant agreement. Beginning with the FY2013 grant cycle the Grant Review Committee notes will be submitted to DNR along with the aggregate rankings from the grant process and the consensus ranking from finding #11 to support final funding decisions.

*SWMP Response:*

The SWMP agrees with the auditor's recommendation. The District must ensure grant funds are awarded appropriately and complete files are maintained to support its review and evaluation process, including documentation that proposals meet the minimum criteria for funding. When there are concerns or questions about a proposal, the documentation must

include the committee's resolution of such an issue to demonstrate that issues found in applications are consistently and adequately addressed prior to funding.

The audit found instances where the committee's resolution of issues discussed was not included in the documentation and in some cases a special condition for funding was included with the financial assistance agreement and in other cases no special condition was applied.

The district's planned actions are responsive. However, finding #10 will remain open until the FY2013 documentation is received by the SWMP to verify that the notes from the committee's discussion include resolution of issues noted and an appropriate special condition was included with the related financial assistance agreement when applicable; or the District provides written notification to the SWMP that no questions were raised regarding the funding for proposals.

## **11. Inadequate Documentation of Subgrant Evaluation Results**

### *Auditor Recommendation:*

We recommend that the Evaluation Committee document its consensus group ranking to support its final funding recommendations.

### *District Response:*

The District agrees with the finding and recommendation. Beginning with the FY2013 grant cycle, the Grant Review Committee consensus ranking will be submitted to DNR along with aggregate rankings from the grant process and the Grant Review Committee notes from finding #10 to support final funding decisions.

### *SWMP Response:*

The SWMP agrees with the auditor's recommendation. The District must ensure its evaluation process is clearly documented and the basis for the resulting award decisions justified. When the committee group discussion results in a final recommendation for funding different than would have resulted from the aggregate individual scoring based on the required criteria, the additional factors considered and discussion held in making that final decision must be documented. Lack of adequate documentation increases the risks that the District may not be considering applicants in a consistent manner and may be challenged by an entity not selected for funding. The procedure being used by the District can result in an appearance of funds not being granted appropriately.

The audit found discrepancies between the District's evaluation results as documented in the aggregate executive board ranking and the final funding recommendation. No documentation to support the final recommendation was available.

The district's actions taken are responsive. The SWMP has confirmed that the District submission for the FY 2013 grant cycle included a consensus group ranking sheet. The SWMP considers Finding #11 closed.

## **12. Inadequate Establishment and Reporting of Subgrantee Goals**

### *Auditor Recommendation:*

We recommend that the District revise its grant application forms to clearly require defined, measurable goals for each project, and that these be included in the financial assistance agreement. We also recommend that the District revise its subgrantee final report format to require direct comparison of actual results to these goals.

### *District Response:*

The District agrees with the finding and recommendation. The District's grant application form has always included goals, but for the FY2013 grant round, the application was reformatted to highlight measurable goals. Beginning with the FY2013 grant round, measurable goals will be included in the financial assistance agreement and the final report form has already been modified to facilitate comparisons between stated goal and project outcomes.

### *SWMP Response:*

The SWMP agrees with the auditor's recommendation. Specific and measurable goals must be established for each subgrant project and actual results appropriately reported in order to evaluate the project success and determine whether the project effectively met its goal.

The audit found that for 4 of the 14 subgrants reviewed, the application and related financial assistance agreement did not contain clearly defined, measurable goals. In addition, a comparison of actual results to established goals were not included in the final report of two subgrants.

The district's actions taken and planned are responsive. However, finding #12 will remain open until the FY 2013 grant cycle applications and financial assistance agreements between the district and the district subgrantees are received and evaluated by the SWMP for inclusion of clearly defined, measurable goals.