

INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES

**REGION J QUAD-LAKES  
SOLID WASTE MANAGEMENT DISTRICT  
CLINTON, MISSOURI**

FOR THE PERIOD JULY 1, 2005 THROUGH  
JUNE 30, 2007

**RECEIVED**

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DAS ACCOUNTING

REGION J QUAD-LAKES  
SOLID WASTE MANAGEMENT DISTRICT  
CLINTON, MISSOURI

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REGION J QUAD-LAKES  
SOLID WASTE MANAGEMENT DISTRICT

### History and Organization

Missouri's 20 solid waste management districts were created to foster regional cooperation among cities and counties in addressing solid waste management issues. The main function of a district is to develop a solid waste management plan with an emphasis on diverting waste from landfills and to assist with implementation of the solid waste management plan. Plans should include provisions for a range of solid waste activities: waste reduction programs; opportunities for material reuse; recycling collection and processing services; compost facilities and other yard waste collection options; education in schools and for the general public; management alternatives for items banned from Missouri landfills and household hazardous waste; and preventive or remediation of illegal dumps. To help achieve their goals, districts administer grants to public and private entities within their region, made possible with monies from the Solid Waste Management Fund through the Missouri Department of Natural Resources (MDNR).

The Region J Quad-Lakes Solid Waste Management District (Region J SWMD or the District) was formed pursuant to RSMo, 260.305 and was officially recognized by the MDNR in December 1991. The District is comprised of the following counties: Henry, Hickory, Cedar, Bates, Benton and St. Clair. Participation in the District is voluntary and is formally established through a resolution of adoption filed with the District office by the member governments. The purpose is to develop and improve efforts to reduce the amount of solid waste generated and disposed of in a six county region to meet the goals set out in RSMo, Chapter 260. The District will make recommendations and suggestions relating to solid waste collection, storage, transportation, remanufacture and disposal. The District also intends to promote local problem solving and autonomy in solid waste management systems.

The District has an administrative contract with Kaysinger Basin Regional Planning Commission. Region J SWMD's management structure is comprised of a Management Council consisting of 28 voting members and 1 non-voting member and an Executive Board consisting of 7 members. The Management Council is comprised of 2 representative from each County Commission and 1 member from each city with a population over 500. The Executive Board is comprised of 1 member of each County Commission and 1 member at large. Terms of representatives shall be two (2) years that can be recertified by their appointing authorities at the end of their term.

Members, area represented, and offices held as of the end of audit field work completed October 9, 2008 were as follows;

#### Management Council Members:

- Bob Wingate – Bates County
- Randy Pike – Bates County, Vice-Chairman (1), (3)
- Mark Breshears – Benton County
- Junior Schumacher – Benton County
- Howard Sharp – Cedar County
- Byron Hamilton – Cedar County (1)
- Don Bullock – Henry County
- Jim Talley – Henry County (1)

- Lance Hutton – Hickory County, Chairman (1)
- Robert Breshears – Hickory County
- Billy Wood – St. Clair County
- Gerald Williams – St. Clair County (1)
- Vacant – Adrian
- Vacant – Appleton City
- Dennis Pyle – Butler (1), (2)
- Lisa Wallace – Clinton, Secretary, Treasurer
- Judy Harris – Cole Camp (2)
- Gerald Wolfe – Deepwater (2)
- Brad True – El Dorado Springs (1), (2)
- James Fitts\* – Hermitage (1), (2)
- Mike Letourneau – Lincoln
- Vacant – Lowry City
- Donna Sauer – Osceola (3)
- Alvin Briscoe – Rich Hill
- George Pyle – Stockton (1), (2)
- Bill Dockery – Warsaw
- Judy Epperson – Weaubleau (2)
- Mike Parks – Windsor
- Dick Fleming – Clinton (1), (2)

Executive Board Members:

- Alvin Briscoe – Bates County
- Mark Breshears – Benton County
- Brad True – Cedar County, Vice-Chairman (1), (2)
- Jim Talley – Henry County, Secretary (1)
- Robert Breshears – Hickory County
- Donna Sauer – St. Clair County, Chairman (3)
- Lisa Wallace – Henry County, Treasurer

\* Non -voting member

(1) Individual also serves on Kaysinger Basin Regional Planning Commission (KBRPC).

(2) Individual also serves on KBRPC Board of Directors or KBRPC Full Council.

(3) Individual also serves on Kaysinger Recycling and Disposal Board.

McBRIDE, LOCK & ASSOCIATES

INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED UPON PROCEDURES

Missouri Department of Natural Resources  
and  
Region J Quad-Lakes Solid Waste Management District  
Clinton, Missouri

We have performed the procedures enumerated below, which were agreed to by the Missouri Department of Natural Resources (MDNR), solely to assist you in evaluating the effectiveness of the Region J Quad-Lakes Solid Waste Management District's compliance with state law, regulations, and policies, for the period July 1, 2005 through June 30, 2007. Management is responsible for the District's internal control over compliance with these requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the *American Institute of Certified Public Accountants* and the *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

Our procedures, as set forth in the MDNR Solid Waste Management District *Agreed-Upon Procedures Engagement*, and findings are as follows:

1. **History and Organization.** We reviewed the history and organization of the District for compliance with the Revised Statutes of Missouri (RSMo). This included review of the:
  - District organization;
  - Council structure, Executive Board structure, terms and functions, including if the District was organized under an alternative management structure;
  - Policies and procedures for monitoring members of the Executive Board and Council; and
  - District by-laws.

**Findings:** None.

2. **Minutes of Meetings.** We reviewed all minutes of the Management Council and the Executive Board meetings for the engagement period and selected six meetings and completed Attachment 1 *The Missouri Sunshine Law Compliance Checklist* to determine if meetings are documented as required.

**Findings:** See Finding No. 4.

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

**Findings:** See Finding Nos. 3, 4, 7, 9, and 14.

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

**Findings:** See Finding No. 7.

5. **Cash.** We obtained a listing of all bank account names and numbers of the District and performed the following:

- Verified the bank reconciliation process;
- Confirmed with MDNR advanced funds for deposit;
- Evaluated control, custody and signing of check stock;
- Reviewed local funds;
- Reconciled year-end cash balances by type, state, local, etc., to amounts reported to MDNR;
- Verified the allocation and use of interest income; and
- Reviewed the District's cash management practices.

**Findings:** See Finding Nos. 6, 7, and 15.

6. **Administrative/Management Services.** We determined that the District contracts out administrative/management services, and;

- Determined that contract terms were written and properly approved;
- Reviewed the contract for propriety and reasonableness; and
- Reviewed invoices and supporting documentation to determine that payments for services are appropriate, properly approved, and in compliance with contract terms.

**Findings:** See Finding Nos. 1 and 5.

7. **General and Special Terms and Conditions.** We documented the District's compliance with general and special terms and conditions of the financial assistance agreement with MDNR for the following requirements:

- Non-Discrimination;
- Environmental Laws and Eligibility;
- Hatch Act and Restrictions on Lobbying;
- Program Income;
- Equipment Management;
- Prior Approval for Publications;
- Audit Requirements;
- Recycled Paper; and
- Contracting with Small and Minority Firms.

**Findings:** See Finding No. 8.

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

**Findings:** None.

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

- Proposal Procurement Process;
- Proposal Review and Evaluation; and
- Awarded Projects.
  - Region J, Plan Implementation District-wide –2006-01
  - Region J, Paper Recycling -2006-02
  - Kaysinger Recycling and Disposal, Planning Exp -2006-03
  - Region J, Tire Collections District-wide –2006-07
  - Region J, Administration –2007-01
  - Kaysinger Recycling and Disposal, Transportation–2007-02
  - Kaysinger Basin RPC, Paper Recycling–2007-04

**Findings:** See Finding Nos. 2, 3, 9, 10, 11, 12, 13, and 14.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the District's internal control over compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Department of Natural Resources of the State of Missouri and the Region J Quad-Lakes Solid Waste Management District and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

*McBride, Lock & Associates*

McBride, Lock & Associates  
Certified Public Accountants

October 9, 2008

**REGION J QUAD-LAKES  
SOLID WASTE MANAGEMENT DISTRICT  
CLINTON, MISSOURI**

Schedule of Findings and Questioned Costs  
For the Two Fiscal Years Ended June 30, 2007

**1. Lack of Administrative Contract**

**Questioned Cost: \$60,000**

**Condition** – Administrative costs for fiscal year 2007 were paid to the Kaysinger Basin Regional Planning Commission (KBRPC) organization without an administrative contract. Additionally, for fiscal years 2006 and 2007, the District did not have sufficient supporting documentation with the invoices to assure validity of charges. These conditions resulted in questioned costs of \$60,000 (\$30,000 from each of the two years reviewed.)

**Criteria** – 10 CSR 80-9.050(4)(B) requires that “Accounting records must be supported by source documentation such as cancelled checks, paid bills, payrolls, time and attendance records, contract, and agreement award documents.” Good business practices require that written, signed contracts be on file to document the contract terms.

**Effect** – The District is at risk to reimburse MDNR for any improperly expended funds.

**Cause** – The District apparently presumed that continuing the arrangement with KBRPC was acceptable. It was an administrative oversight by the District not to enter into a contract with KBRPC.

**Recommendation** – We recommend that the District implement procedures to ensure that administrative expenses are properly supported by an appropriately bid contract and that payment of expenses are supported by invoices and other documentation to assure validity of the charges. Additionally, the District should resolve questioned costs of \$60,000 with MDNR.

**District Response** – We concur with this finding and will work with the Missouri Department of Natural Resources and/or Solid Waste Management Program (hereafter MDNR/SWMP) to resolve the issue.

**2. Inappropriate Reimbursement of Subgrantee Match**

**Questioned Cost: \$3,540**

**Condition** – The District reimbursed the subgrantee match portion of expenses for project 2006-2. It appears this condition existed in the corresponding grant in the previous year.

This condition results in questioned costs of \$3,540.

**Criteria** – MDNR General Terms and Conditions state “The subgrantee will be reimbursed by the MDNR for all allowable expenses incurred in performing the scope of services...” It additionally states “Applicable OMB cost principles, federal agency program regulations, and the subgrant scope of work will be followed in determining the reasonableness, allowability, and allocability of cost.”

**Effect** – The subgrantee was reimbursed more than the amount stated in the financial assistance agreement.

**Cause** – The cause was an administrative oversight by the District.

**Recommendation** – We recommend the District implement procedures to ensure the subgrantee is reimbursed the appropriate amount as determined by the financial assistance agreement and supported by invoices and other documentation. Additionally, the District should seek reimbursement of \$3,540 from the subgrantee.

**District Response** – We do not concur. At this time, the District has been unable to determine from our ledgers the amount presented in this finding. We will work with MDNR/SWMP to resolve this finding.

### 3. **Conflict of Interest – Council and Board Members**

**Condition** – Several members of the District’s Executive Board and Management Council serve as part of the management structure of Kaysinger Basin Regional Planning Commission and Kaysinger Recycling and Disposal Inc. (noted in list of board and council members in the History and Organization). These two entities receive a significant portion of the District’s funding. There is no documentation in the Executive Board meeting minutes that these members abstained from evaluating and voting on projects related to the Kaysinger Basin Regional Planning Commission or Kaysinger Recycling and Disposal, Inc.

**Criteria** – 10 CSR 80-9.050(1)(C)4 states “District grant funds will not be awarded for a project whose applicant is directly involved in the evaluation and ranking of that project.” Furthermore, MDNR General Terms and Conditions, I.Q. states “No party to this subgrant, shall participate in any decision related to such subgrant which could result in a real or apparent conflict of interest, including any decision which would affect their personal or pecuniary interest, directly or indirectly.”

**Effect** – The District was not in compliance with the district grant rule and the MDNR General Terms and Conditions which may result in a possible conflict of interest and cause disallowance or loss of funding.

**Cause** – The District has not implemented adequate policies to address potential conflicts of interest and guidelines of operation when such conflicts may or appear to exist.

**Recommendation** – We recommend the District adopt a conflict of interest policy in compliance with the district grant rule and the MDNR General Terms and Conditions to ensure the avoidance of a real or apparent conflict of interest. In addition, the Executive

Board minutes must document when a board member abstains from voting on approval of projects where there is a potential conflict of interest.

**District Response** – We concur with the finding and have already begun the process to put into place an appropriate conflict of interest policy. This policy will be presented for approval at the next Executive Board meeting.

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

**Condition** - The following deficiencies were noted with regard to compliance with the Missouri Sunshine Law in review of the following meeting minutes:

November 9, 2006 Council meeting;  
February 27, 2007 Council meeting;  
June 6, 2006 Executive Board meeting;  
March 6, 2007 Executive Board meeting;  
September 20, 2007 Executive Board meeting; and  
June 29, 2007 Executive Board meeting.

The noncompliance issues are noted below:

- a. Notices are not dated, therefore, it cannot be determined if they were posted 24 hours in advance of the meeting (6 out of 6 occurrences).
- b. Minutes did not include a list of which members were absent or present (3 out of 6 occurrences). One instance was from a Council meeting and the other two were Executive Board meetings.
- c. Minutes do not indicate each yea, nay, or abstention when roll call votes are taken (6 out of 6 occurrences).

**Criteria**- RSMo Chapter 610 (commonly referred to as the Missouri Sunshine Law) requires the above mentioned items be documented in the minutes for each Executive Board or Council meeting.

**Effect** – The District is not in compliance with Missouri RSMo Chapter 610. The minutes are the official report made of the transactions or proceedings of the Executive Board and Council and are a permanent record; thus, they should be complete and accurate.

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

**Recommendation** – We recommend the District be required to takes steps to ensure compliance with RSMo Chapter 610, including notice requirements and documentation of meeting minutes.

**District Response** –

- a. We concur with this finding. We are in the process of modifying our policy in order to verify meeting notices have been posted 24 hours in advance, the actual posting date is now

included on meeting notices. A signature verifying the date is also required on such notices. Meeting notices will also be faxed to member county courthouses for posting. A printed fax log will accompany the notice as means of verifying that courthouses were sent the notice.

b. We concur with this finding, Aside from those three meeting minutes, all other meeting minutes (2004-present) do contain such information. Our Sunshine Law Compliance policy will ensure this information is included in all meeting minutes, thus preventing future occurrences.

c. We concur with the finding. We have devised a detailed Sunshine Law Compliance policy; which will be presented for approval at the next Executive Board meeting.

5. **Unapproved Loan to the Kaysinger Basin Regional Planning Commission**

**Questioned Cost: \$20,000**

**Condition** - The District extended a loan in the amount of \$20,000 to the Kaysinger Basin Regional Planning Commission in September of 2005. The loan approval was documented in the District's board meeting minutes, however, the two parties did not create and sign a legally binding agreement outlining the terms of the loan. In addition, the District could not provide documentation that this loan was approved by MDNR.

This condition results in questioned costs of \$20,000.

**Criteria** - 10 CSR 80-9.050(4)(B) requires that "Accounting records must be supported by source documentation such as cancelled checks, paid bills, payrolls, time and attendance records, contract, and agreement award documents." Good business practices require that written, signed contracts be on file to document the contract terms. Additionally, MDNR Special Terms and Conditions state "Any funds awarded to a district which are not expended (or encumbered) for the purpose for which the funds were awarded, will be repaid by the district to the MDNR SWMP for deposit into the SWMF."

**Effect** – The District failed to enter into a written agreement and obtain MDNR approval of the loan. Failure to establish enforceable terms places these public funds at risk.

**Cause** – The District was unaware of the need to establish a written agreement and obtain MDNR approval.

**Recommendation** – We recommend the District recover the funds.

**District Response** – We concur with this finding. The loan was made possible through the use of unobligated carryover funds. A promissory note was devised, although it was inadequate in terms of identifying repayment terms and other important information. We will be working with MDNR/SWMP to resolve the issue.

## 6. Bank Accounts Not Adequately Collateralized

**Condition** - The District has not taken steps to assure that bank balances in excess of FDIC coverage are properly collateralized. The aggregate amount of the checking and money market accounts located at the same bank totaled \$150,214.45 at August 1, 2007, or \$50,214.45 in excess of FDIC coverage.

**Criteria** - MDNR General Terms and Conditions 1.E.3 states “Internal Control. Effective control and accountability must be maintained for all subgrantee cash, real and personal property, and other assets. Subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.”

**Effect** – District funds are at risk of loss.

**Cause** – The District was unaware of how to secure collateralization of funds in excess of FDIC insured balances.

**Recommendation** – We recommend that the District monitor bank balances and take necessary steps to safeguard balances in excess of FDIC coverage.

**District Response** – We concur that we did not have collateralization. Since then, FDIC insurance increased. Adjustments will be made to our accounting policy. The policy will require the accounts to be monitored on a regular basis to ensure FDIC coverage is adequate or collateralization is obtained.

## 7. Inadequate Internal Controls

**Condition**- The following deficiencies concerning internal controls were noted:

- a. Receipts are not given for funds other than interest and MDNR payments received by the District;
- b. Bank reconciliations are done by the same individual who opens the mail and makes deposits. Additionally, these reconciliations are not reviewed by a Board member; and
- c. Invoices are not always marked to indicate payment has been made.

**Criteria** - MDNR General Terms and Conditions 1.E.3. states “Internal Control. Effective control and accountability must be maintained for all subgrantee cash, real and personal property, and other assets. Subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.”

**Effect** – The District does not have effective controls over cash handling functions, including requirements for supporting documentation.

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

**Recommendation** – We recommend the District take steps to ensure proper internal controls are present for cash receipts, bank account reconciliations and record keeping, including documentation requirements.

**District Response** –

- a. We concur with this finding. Amendments to the accounting policy will be made. A consecutively numbered receipt book will be purchased and utilized as a means of issuing receipts.
- b. We concur with this finding. The following changes will be made to the District's accounting policy: The working KBRPC secretary will open mail and keep a log of money that is received. The working district planner will prepare deposits. The working KBRPC fiscal officer will do reconciliations. The reconciliations will then be presented to each Executive Board member as part of the Treasurer's Report at board meetings. Dated signatures will be obtained from the persons reconciling the statements and the persons reviewing those reconciliations.
- c. We concur with this finding. Invoices that are paid are now marked with the date the invoice was paid, as well as the check number. This will be reflected in the District's accounting policy.

8. **Annual District Financial Audit Not Submitted Timely**

**Condition** – The financial audits for FYE June 30, 2005 and June 30, 2007 were not submitted to MDNR within 120 days from the end of the District's fiscal year.

**Criteria** – RSMo Section 260.325.10 and MDNR Special Terms and Conditions state, "The District board shall arrange for independent financial audits of the records and accounts of its operations by a certified public accountant or a firm of certified public accountants. Districts receiving two hundred thousand dollars or more of financial assistance shall have annual independent financial audits and districts receiving less than two hundred thousand dollars of financial assistance shall have independent financial audits at least once every two years." MDNR Special Terms and Conditions also state, the District will provide MDNR a copy of the entire audit report issued by a certified public accountant or a firm of certified public accountants within 120 days of the close of the District's fiscal year.

**Effect** – Financial matters requiring immediate attention are not corrected in a timely manner.

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

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

**District Response** – We concur with the finding that we were late in submitting our financial audits. The financial audit for FYE June 30, 2007 was received by MDNR on August 1, 2008. We are in the process of reviewing our policy for modifications, however with

implementation of amended grant rule 10 CSR 80-9.050; we now have 180 days to comply. We will make every effort to meet the deadline in the future and will request an extension from SWMP in the event we will be unable to meet that deadline.

9. **Inadequate Grant Review Process and Missing Required Evaluation Criteria**

**Condition** – The District could not provide documentation that project 2007-04 was properly evaluated. In addition, the District’s evaluation document lacks the following criteria:

- a. Conformance with the integrated waste management hierarchy as described in the *Missouri Policy on Resource Recovery*;
- b. Degree to which funding to the project will adversely affect existing private entities in the market segment; and
- c. The need for information.

**Criteria** – 10 CSR 80-9.050(2)(C)3 states “The executive board shall evaluate each proposal that is determined to be eligible and complete.” Additionally, the evaluation method should include the three criteria listed above. Furthermore, documentation of the evaluation should be properly maintained.

**Effect** – The District does not use the required criteria in evaluating grant proposals and is not in compliance with MDNR requirements.

**Cause** – The District was unaware of the required criteria.

**Recommendation** – We recommend that the District add the above required criteria to the review process and assure that documentation of review is properly maintained.

**District Response** –

- a. We do not concur with this finding. The evaluation form was misplaced and was provided to the auditors post fieldwork completion.
- b. We concur with this finding and have since taken corrective actions. This issue has already been resolved with MDNR/SWMP.

10. **Subgrantee Reimbursement Prior to Financial Assistance Agreement**

**Condition** – The District reimbursed expenses to the Kaysinger Basin Regional Planning Commission for administrative services prior to the financial assistance agreement being signed for project 2007-01. The financial assistance agreement was signed October 23, 2006 but the District made a reimbursement payment on September 30, 2006 for expenses incurred in September.

This condition results in questioned costs of \$2,500. This amount is included in the questioned costs noted in Finding No 1.

**Criteria** – 10 CSR 80-9.050(1)(E)3 states, “The following costs are considered ineligible for district grant funding:…B. Costs incurred before the project start date or after the project end date.” Additionally, Quad-Lakes Solid Waste Management District (QLSWMD) Financial Assistance Agreement 2007 General Terms and Conditions signed and executed October 23, 2006 states “No reimbursement of expenses will be made for expenditures incurred prior to project start date or after the closing date of the grant as defined in the Schedules attached, unless prior written budget request or extension has been applied for and granted by QLSWMD Executive Board.”

**Effect** – The District expended funds for a project that did not have the required financial assistance agreement in place.

**Cause** – This was an administrative oversight.

**Recommendation** – We recommend the District not disburse funds for projects that do not have a financial assistance agreement in place. Additionally, the District should resolve the questioned costs of \$2,500 with the MDNR.

**District Response** – We concur with the finding and will work with MDNR/SWMP to resolve.

#### 11. **Quarterly Reports Not Submitted Timely**

**Condition** – Projects 2006-02, 2006-07, and 2007-01 did not have quarterly reports submitted timely throughout the project period stated in the financial assistance agreement.

**Criteria** - 10 CSR 80-9.050(3)(B)1 states, “The District shall submit to the Department, at the end of each state fiscal year quarter, a report which contains the following for each project in progress:…”. The MDNR Guidance Document for Solid Waste Management District Grants states, “Quarterly status reports shall be submitted to the department’s SWMP for activities that occur during each calendar year quarter thirty days following the reporting period.”

**Effect** – Quarterly status reports were not received by MDNR as required.

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

**Recommendation** – We recommend that the District implement procedures to ensure that quarterly reports are submitted throughout the entire project period as stated in the financial assistance agreement and within 30 days of the quarter end.

**District Response** – We concur with the finding and offer the following comments:

2006-2: This project (paper recycling truck) has been funded every fiscal year since 1999. Tonnages have been continually reported, thus fulfilling the reporting requirements in regards to tonnage.

2006-7: This project was a special tire collection event. Due to the nature of the project, an overall total tonnage was reported instead of twelve month totals.

2007-1: This grant provided funds to pay for administrative services for the District. The final report served as the fourth quarter report being there is no tonnage involved with this type of grant/project.

12. **Final Reports Not Submitted Timely**

**Condition** – Project 2007-04 final report was submitted more than 30 days after the project end date per the financial assistance agreement.

**Criteria** - 10 CSR 80-9.050(3)(C) states, “The District shall submit to the department a final report for each project, within thirty days of the project completion date as stated in the financial assistance agreement,…”

**Effect** – Project final reports were not received by MDNR in a timely manner.

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

**Recommendation** – We recommend that the District implement procedures to ensure the final report is submitted within 30 days of the project end date stated on the financial assistance agreement.

**District Response** – We concur with this finding. The Executive Board did not hold a meeting within 30 days of the FAA end date in order to approve the final report. Due to the modification rule 10 CSR 80-9.050, there is time allowed for such occurrences.

13. **Failure to Withhold 15% Retainage**

**Condition** – Projects 2006-07 and 2007-04 did not have 15% retainage withheld until approval of the final report and accounting of the project.

**Criteria** – 10 CSR 80-9.050(4)(C) states, “The executive board shall retain fifteen percent (15%) of the funds from the recipient until the board gives approval to the recipient’s final report and the final accounting of project expenditures.”

**Effect** – Subgrantee was reimbursed 100% of their expenditures prior to submitting a final report, a violation of state regulations.

**Cause** – The cause was an administrative oversight by the District.

**Recommendation** – We recommend that the District implement procedures to ensure that the District retains 15% of subgrant funds until Board approval of the final report and accounting of project expenditures.

**District Response** – We concur with this finding. The District has recently added to its disbursement policy the option to release the 15% retainage prior to approval of the final report and accounting of the project.

14. **Incomplete or Inaccurate Accounting of Subgrants**

**Condition** – Account sheets for projects 2006-07 and 2007-4 do not track the portion of expenses that were paid with subgrantee matching funds. In addition, project 2007-04 subgrantee account sheets do not correspond to the amount invoiced to the District, nor does the amount actually reimbursed by the District correspond to the subgrantee account sheets or invoices. The District reimbursed less than the amounts on the subgrantee account sheets and subgrantee invoices; therefore, it does not appear an overpayment was made.

**Criteria** – MDNR General Terms and Conditions state “Any in-kind match must be assigned a fair market value stated in dollars and the rationale used to calculate the value must be provided...” In addition it states “Full expenditure of subgrantee match or cost share funding is required over the life of the subgrant...” and “Failure to provide 100% of the match cost or share ratio of total expenditures as identified in the subgrant may cause the subgrantee to become ineligible to receive additional financial assistance from the MDNR...”

Furthermore, the District Financial Assistance Agreement states “The Recipient shall account for all funds expended in conjunction with the grant project including matching funds and grant funds. The Recipient shall maintain accounting systems in form and content approved by QLSWMD in accordance with generally accepted accounting principles, which shall incorporate appropriate controls and safeguards against improper use of funds. All financial reports shall provide clear reference to the project, fiscal transactions relating thereto, and expenditures, all properly documented with appropriate footnotes where necessary...”

**Effect** – The District cannot track matching requirements nor can the District identify exactly how grant funds were expended.

**Cause** – The individual who does accounting for the District also does accounting functions for the subgrantee on these projects; therefore, the information was not treated as if it was from two different entities.

**Recommendation** - We recommend the District establish account sheets for subgrantees to include necessary information, such as match funds and invoiced amounts to allow for reconciliation to the grant award.

**District Response** – We concur with the finding. We have since reconciled and found the following:

2006-7

- Total grant funds disbursed = \$21,879.00
- Total match documented = \$2,300.15
- FAA Budget: Grant Funds = \$23,000.00      Match Funds = \$2,300.00
- Project was under budget by \$1,121.00

- No overpayment was made and the remaining funds were carried over into another project the following fiscal year.

2007-4

- Total grant funds disbursed = \$23,260.01
- Total match documented = \$4,994.15
- FAA Budget: Grant Funds = \$23,469.00      Match Funds = \$2,347.00
- Project was under budget by \$208.99
- No overpayment was made and the remaining funds were carried over into another project the following fiscal year.
- Account sheets, invoices, and reimbursements have been reconciled and now correspond with one another.

15. **Accounting Records Not Accurately Maintained**

**Questioned Costs \$439**

**Condition** – Accounting records were not accurately maintained to properly account for District receipts and expenditures. Source documentation for receipts and expenditures was missing. The reconciliation of the District’s cash balance at June 30, 2007 resulted in an unidentified balance of \$439.

**Criteria** – 10 CSR 80-9.050(4)(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 that accurately reflects all fiscal transaction, incorporates appropriate controls and safeguards...” Section I.E.3 of the MDNR General Terms and Conditions states “Effective control and accountability must be maintained for all subgrantee cash and personal property, and other assets.”

**Effect** – In the absence of an adequate accounting system, internal controls over assets can be compromised and there is an increased risk that an error or omission in the financial records may occur and go undetected. Thus, district funds are exposed to a greater potential for loss, misuse, or theft.

**Cause** – This condition resulted from an inadequate accounting system.

**Recommendation** – We recommend that the District establish and maintain an accounting system that includes detailed records and supporting documentation of all receipts and expenditures and related financial reports as required by 10 CSR 80-9.050(7)(B). The Executive Board needs to be provided appropriate and accurate financial reports to allow for adequate oversight of the grant program. Additionally, the District should resolve questioned costs of \$439 with the MDNR.

**District Response** – We disagree with this finding of questioned costs. We feel this finding was a result of a mis-calculation in reporting of the financials. We will work with MDNR/SWMP to address and resolve this finding.

**REGION J QUAD-LAKES  
SOLID WASTE MANAGEMENT DISTRICT  
CLINTON, MISSOURI**

Schedule of Prior Audit Findings  
For the Fiscal Year 1992, 1993, 1994, 1995, 1996, and 1997

The prior audit was conducted by an audit firm contracted by MDNR for fiscal years 1992 through 1997. Of the 16 audit findings, 11 were implemented by the District and five were not implemented or partially implemented.

**1. FINDING – Inappropriate Composition and Operation of the District Council**

**Condition** – No evidence existed in the district’s records of the appointment of the District Council members. The Council did not meet on a regular basis and did not have a statutory majority at a meeting for approximately four years. By-laws adopted by the Executive Board changed the quorum requirement to one-third of the Council. No records were kept of the terms of the Council members.

**Current Status** – This condition was not observed in the current review.

**2. FINDING – Inappropriate Composition and Operation of the Executive Board**

**Condition** – The Executive Board did not appear to be appointed properly. No records were found regarding the terms or appointments of the Executive Board. The by-laws adopted by the Executive Board increased the size of the Board to twelve members and reduced the quorum requirement to one-third of the Executive Board.

**Current Status** – This condition was not observed in the current review.

**3. FINDING – Incomplete Minutes for Both Council and Executive Board Meetings**

**Condition** – Board meeting minutes were not available for all meetings of the Council or the Executive Board. The minutes that were present were not signed, did not include copies of resolutions or other matters discussed. They did not include evidence of the appointment of members of the Council or Board. The minutes were not properly organized for retention.

**Current Status** – This condition was not observed in the current review; however, certain conditions existed with meeting minutes. See Finding No. 4.

4. **FINDING – Inappropriate Closed Meetings**

**Condition** – On two occasions the Executive Board held closed sessions. The matters discussed at those meetings were not suitable for closed session under the Missouri Sunshine Act.

**Current Status** – This condition was not observed in the current review.

5. **FINDING – Lack of Separation of Duties for Financial Activities**

**Condition** – The District designated the Treasurer to write checks, make deposits, and receive bank deposit slips. No bank reconciliations were prepared by the District. The District does not require two signatures on checks. Cash is held up to two months before deposit.

**Current Status** – The processes were changed; however, there is still a lack in controls. See Finding No. 7.

6. **FINDING – Inadequate Bonding Insurance**

**Condition** – The District maintains a bonding insurance policy with a limit of \$40,000. Cash balances ranged from \$50,000 to \$90,000 over the period reviewed.

**Current Status** – This condition was not observed in the current review.

7. **FINDING – Inappropriate Handling of State Funded Equipment**

**Condition** – Title to grant funded equipment was vested in the subgrantee with a lien registered in the District's name in some cases. The District did not maintain records of any equipment funded with state grant funds. The District used an arbitrary method of determining the value of grant funded equipment.

**Current Status** – This condition was not noted in the current review.

8. **FINDING – Failure to Adopt and Implement Required Policies**

**Condition** – No policies were adopted in the following areas: Procurement, Non-discrimination, Environmental Standards, Debarment/Suspension, Disadvantaged Business Enterprises, or Compliance with GTCs of grants.

**Current Status** – This condition was not noted in the current review.

9. **FINDING – Failure to Maintain Accounting Records on the Basis of GAAP**

**Condition** – The District’s accounting records are maintained on a cash basis. The District did not make an effort to determine the method of accounting for subrecipients.

**Current Status** – This was not discovered in the current review.

10. **FINDING – Failure to Adopt and Implement Conflict of Interest Policies**

**Condition** – The District did not make positive efforts to adopt a conflict of interest policy or request information regarding conflict of interest from the Council or Board members.

**Current Status** – The District has created a written conflict of interest policy, however, there are still conditions present concerning conflicts of interest. See Finding No.3.

11. **FINDING – Failure to Print Recycled Symbols on Printed Materials**

**Condition** – Printed materials prepared by the District and printed on recycled paper did not display the recycled paper symbol on at least on page.

**Current Status** – This condition was not observed in the current review.

12. **FINDING – Failure to Provide Funding Notice of Public Documents**

**Condition** – Press releases and other public notifications prepared by the District did not identify the MDNR as a funding source.

**Current Status** – This condition was not observed in the current review.

13. **FINDING – Failure to Perform Duties of the Executive Board**

**Condition** – The District did not make a positive effort to locate and identify illegal dump sites, did not actively pursue an education program, did not make efforts to minimize the introduction of small amounts of hazardous waste into the solid waste system, and did not make efforts to assure adequate capacity to manage waste not otherwise removed from the solid waste system. No policies or implementations regarding these matters had been adopted.

**Current Status** – This condition was not observed in the current review.

14. **FINDING – Proposal Evaluation Criteria Not Used**

**Condition** – There was no evidence that the District used evaluation criteria in the rating of proposed grant projects.

**Current Status** – Deficiencies existed concerning proposal evaluation and criteria. See Finding No. 9.

15. **FINDING – Grant Funded Equipment Not Used for Grant Purposes**

**Condition** – Equipment from two grants was no longer used for the purposes of the grant. Equipment purchased through grant funds for maintenance of a composting project appears to be used for general city maintenance operation and did not appear as if a compost pile was being actively maintained. One piece of equipment was not available for review. It had been leased by the subrecipient to another company outside the District.

**Current Status** – This condition was not observed in the current review.

16. **FINDING – Incomplete Documentation for Grants**

**Condition** – The District was unable to locate any of the documents and paperwork for project #93001. Grant ledgers were not maintained. The content of the quarterly reports was not sufficient to adequately determine progress in the implementation of the grant. No proposal evaluations or accounting records were found.

**Current Status** – Deficiencies concerning grant documentation remain present. See Finding No. 14.

SCHEDULE III

Region J Quad-Lakes Solid Waste Management District  
 Status of Subgrantee Awards  
 June 30, 2007

Subgrant No.	Purpose	Awards Obligated	Carried Forward	Total	Expenditures 2006 & 2007	Prior Years' Expenditures	Unspent Funds
2003074	Kaysinger Basin RPC, Boyscout Recycling Educ.	\$ 5,000.00	\$ 1,388.76	\$ 6,388.76	\$ -	\$ -	\$ 6,388.76
2004120	Kaysinger Basin RPC, Tire Collections District Wide	25,000.00	-	25,000.00	22,342.83	-	2,657.17
2004121	Meredith's Used Car Sales & Recycling, Purchase Roll Off Bins	2,750.00	1,139.32	3,889.32	3,889.32	-	-
2005185	Quad Lakes SWMD, Paper Recycling	11,675.00	-	11,675.00	11,329.24	-	345.76
2005186	Kaysinger Basin RPC, Tire Collections District Wide	21,325.00	-	21,325.00	21,325.00	-	-
2005187	Kaysinger Basin RPC, Recycling Education	6,000.00	-	6,000.00	-	-	6,000.00
2005188	Caplinger Mills Volunteer Fire Department, Waste Oil Furnace	6,000.00	-	6,000.00	6,000.00	-	-
2006-1	Region J, Plan Implementation	30,000.00	-	30,000.00	25,000.00	-	5,000.00
2006-2	Region J, Paper Recycling District-Wide	13,675.00	-	13,675.00	12,052.03	-	1,622.97
2006-3	Kasinger Recycling and Disposal, Planning Expense	15,000.00	-	15,000.00	-	-	15,000.00
2006-4	Bailey's Cardboard Recycling, Equipment Purchase	10,000.00	-	10,000.00	7,474.54	-	2,525.46
2006-5	JDR Fattner, Blower Purchase	10,000.00	-	10,000.00	-	-	10,000.00
2006-6	Gary Collins, Waste Oil Heater	3,350.00	-	3,350.00	2,847.50	-	502.50
2006-7	Region J, Tire Collections District Wide	23,000.00	-	23,000.00	21,879.00	-	1,121.00
2007-1	Region J, Administration	30,000.00	-	30,000.00	25,000.00	-	5,000.00
2007-2	Kasinger Recycling and Disposal, Planning Transportation	** -	-	-	-	-	-
2007-3	Bates County, Industrial Baler Purchase	10,000.00	-	10,000.00	-	-	10,000.00
2007-4	Kaysinger Basin RPC, Paper Recycling District Wide	** -	-	-	-	-	-
		<u>222,775.00</u>	<u>2,528.08</u>	<u>225,303.08</u>	<u>159,139.46</u>	<u>-</u>	<u>66,163.62</u>
	Unobligated Interest						9,997.36
	Unidentified / Unobligated Region J Funds (Note 1)						<u>438.66</u>
	Total District Cash Per Audit						<u>\$ 76,599.64</u>

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

\*\* The subgrants 2007-2 (\$50,000) and 2007-4 (\$22,348) were reviewed during the field work, but funds were not drawn down until July 18, 2007. We have excluded the amounts in the Unspent Funds column since our cut off was June 30, 2007. Also, there was no mention of these grants on the quarterly report submitted to MDNR.

SCHEDULE IV

Region J Quad-Lakes Solid Waste Management District  
Cash Balance  
June 30, 2007

Cash (Money Market Account)	\$	70,644.03
Cash (Checking)		<u>5,955.61</u>
Total Account Balances	\$	<u><u>76,599.64</u></u>

SCHEDULE V

Region J Quad-Lakes Solid Waste Management District  
 Schedule of State Funding  
 Years Ended June 30, 2006 and June 30, 2007

<u>Received</u>	<u>Total Amount</u>	<u>Type</u>
<u>Year Ended June 30, 2006</u>		
September 14, 2005	\$ 45,000.00	District Grant
November 22, 2005	30,000.00	District Grant
June 19, 2006	<u>37,025.00</u>	District Grant
Total From MDNR in FY 2006	<u>\$ 112,025.00</u>	
<u>Year Ended June 30, 2007</u>		
September 15, 2006	\$ 23,000.00	District Grant
November 3, 2006	<u>30,000.00</u>	District Grant
Total From MDNR in FY 2007	<u>\$ 53,000.00</u>	