

**Performance Audit Follow-up**  
**Region F – West Central Missouri Solid Waste Management District**  
July 1, 2005 through June 30, 2007

**1. Failure To Comply With Sunshine Law**

*Auditor Recommendation:*

We recommend that the District be required to immediately adopt all required forms of documentation as stipulated by the Missouri Sunshine Law.

*District Response:*

The District stated, “Concur and adopt. Notice of meetings, and minute approval has been accomplished since Pioneer Trails Regional Planning Commission became the District’s administrative contractor.”

*Current Status of Finding as of June 30, 2009:*

The Executive Board minutes for the audit period were retained by the District. However, review of those minutes resulted in exceptions. See Finding No.1 (*from the Independent Accountant’s Report on Applying Agreed Upon Procedures for the period July 1, 2007 through June 30, 2009*).

*SWMP Response:*

The SWMP concurs with the auditor’s recommendation. The District must take corrective action to ensure compliance with RSMo Chapter 610, commonly referred to as Missouri Sunshine Law.

The audit found that meetings were not noticed and documented as required. The District’s file contained no evidence to verify that notices of meetings were given. Meeting minutes were incomplete and did not include the location of the meeting, the members absent, or the votes cast as to yea or nay, when applicable. Additionally, minutes for the period July through December 2005 were missing.

The District concurred and indicated it had taken corrective actions. However, the follow-up audit found that while deficiencies identified were partially corrected, areas of non-compliance still existed. Specifically, the follow-up audit found that members absent and votes cast as to yea or nay were not listed in the minutes.

*SWMP Recommendation:*

The District must ensure the deficiencies identified by the audits are fully corrected. Compliance with state law related to open public records is a condition of the grant award. Failure of the District to comply places the District at risk for loss of funding. Furthermore, failure of the Board to comply with Missouri’s Sunshine Law can result in penalties either for the Executive Board, or individually as District Board members.

To resolve Finding No. 1, a copy of the written policies and procedures adopted by the District to ensure compliance with Missouri's Sunshine Law must be provided to the SWMP.

We are requiring for the period July 2010 through June 2011, a copy of the Board's meeting agendas, public notices, and approved minutes need to be provided to allow the SWMP to verify the District's compliance. These documents may be submitted along with the District's quarterly project status reports.

## **2. Bank Reconciliations Not Performed and Actual Cash on Hand Unknown**

### *Auditor Recommendation:*

We recommend that the District implement procedures to ensure that bank reconciliations are performed monthly and that the Board review and approve such reconciliations.

### *District Response:*

The District stated, "Concur and adopt. Bank reconciliations have been accomplished since Pioneer Trails Regional Planning Commission became the District's administrative contractor."

### *Current Status:*

Bank statements were reconciled to the records. However, bank reconciliations are not reviewed by an Executive Board member. See Finding No. 2 (*from the Independent Accountant's Report on Applying Agreed Upon Procedures for the period July 1, 2007 through June 30, 2009*).

### *SWMP Response:*

The SWMP concurs with the auditor's recommendation. Timely and accurate completion of monthly bank reconciliations including presentation to and approval by the Board is necessary to ensure bank accounts are in agreement with accounting records and to detect and correct errors or omissions.

The audit found that bank statements were not reconciled to records and were not independently reviewed by the Executive Board. The District concurred and indicated it had taken corrective actions. However, the follow-up audit found that while during FY 2008 and 2009 bank statements were reconciled monthly, the reconciliations were not reviewed, approved, and signed by an Executive Board member.

### *SWMP Recommendation:*

The District must ensure the bank reconciliations are reviewed and approved by a board member to ensure propriety of transactions and that the reconciliations have been completed. Once the reconciliation has been verified, the board member should then date and sign that the reconciliation has been reviewed and approved.

To resolve Finding No. 2, please provide a copy of the written policies and procedures adopted by the District to ensure timely completion of the monthly bank reconciliation including

approval by the Board. Additionally, please provide a copy of the District's latest bank reconciliation documenting the Board's review and approval.

**3. Annual District Financial Audit Not Submitted Timely – Finding Resolved**

*Auditor Recommendation:*

We recommend the District arrange for the completion of an annual financial audit and ensure that the audit report is completed and submitted to MDNR prior to the deadline.

*District Response:*

The District stated, "Concur. 2006 financial audit was submitted to the Executive Board June 17, 2008. Annual financial audit will be accomplished December of each year for the prior FY ending June 30th."

*Current Status:*

The required 2008 financial audit for the District was not submitted timely to MDNR within 120 days. However, an extension to file was granted by MDNR and the financial audit was submitted within the extension timeframe. Consider this finding resolved. *(This information is from the Independent Accountant's Report on Applying Agreed Upon Procedures for the period July 1, 2007 through June 30, 2009.)*

*SWMP Response:*

We agree with the auditor's recommendation. The District must ensure the annual financial audit is completed and submitted prior to the deadline or request an extension in sufficient time to allow the SWMP to respond prior to the District being out of compliance.

The audit found the financial audit for FY 2006 was not completed and submitted timely. The District concurred and indicated it would comply with the deadline. The follow-up audit found the District submitted the 2008 financial audit within the approved timeframe. The 2009 financial audit was also completed and submitted to the SWMP within the approved timeframe. With submission of the FY 2008 and 2009 financial audit reports within the approved timeframe, the SWMP considers Finding No. 3 resolved.

**4. Accounting Records Not Maintained  
(Original Questioned Cost: \$149,017.22) – Final Disallowed Cost: \$0**

*Auditor Recommendation:*

We recommend 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). Additionally, the District should resolve questioned costs of \$149,017.22 with the MDNR.

*District Response:*

The District stated “Concur and adopt. Accounting records are now being maintained to properly account for receipts and expenditures since Pioneer Trails Regional Planning Commission became the District’s administrative contractor.”

*Current Status:*

Accounting records and source documentation were maintained to properly account for District receipts and expenditures. However, the reconciliation of the District’s cash balance at June 30, 2009 resulted in an unidentified balance of \$10,527.94. See Finding No. 3 (*from the Independent Accountant’s Report on Applying Agreed Upon Procedures for the period July 1, 2007 through June 30, 2009*).

*SWMP Response:*

The SWMP concurs with the auditor’s recommendation. The District must have in place an accounting system that includes detailed records and supporting documentation of all receipts, expenditures, obligations, and related financial reports.

The audit found that the District did not maintain accounting records to properly account for its receipts and expenditures. Source documentation for receipts and expenditures was frequently missing. The District concurred and indicated it had taken corrective actions. The follow-up audit found that during FY 2008 and 2009 the District maintained adequate accounting records and source documentation.

The SWMP reviewed and reconciled the District’s records and supporting documentation to the District’s bank balance. We identified unobligated district grant funds of \$136,193.77, which is the difference between the bank balance at June 30, 2007 (\$517,413.45) and identified cash per project accounting records (\$381,219.68). This unobligated district grant funding is required to be used during the next district grant cycle.

*SWMP Recommendation:*

To resolve Finding No. 4, please provide a copy of the written policies and procedures adopted by the District to ensure the District’s financial systems adhere to generally accepted accounting principles, are designed and maintained to safeguard assets, properly account for all fiscal transactions and related financial reports, and allows for a reconciliation process between all receipts and disbursements.

**5. Incomplete Documentation of Grant Evaluation Process – Finding Resolved**

*Auditor Recommendation:*

We recommend the District implement written procedures for document retention including the review, ranking and approval of project proposals.

*District Response:*

The District stated “Concur and adopt. Grant evaluation forms are being retained along with proper documentation for compliance with evaluation requirements since Pioneer Trails Regional Planning Commission became the District’s administrative contractor.”

*Current Status:*

Each Executive Board member completed an evaluation sheet for each project proposal and the sheets were retained by the District for the audit period. Consider this finding resolved. *(This information is from the Independent Accountant’s Report on Applying Agreed Upon Procedures for the period July 1, 2007 through June 30, 2009.)*

*SWMP Response:*

We agree with the auditor’s recommendation. The District must ensure documentation needed to demonstrate the District’s compliance with regulatory requirements is retained for the appropriate retention period.

The audit found that documentation of project proposal evaluation was not retained. The District concurred and indicated plans to ensure documentation of its evaluation process is maintained. The follow-up audit found that during FY 2008 and 2009 the District retained the documentation needed to verify the Executive Board’s review and evaluation of grant proposals submitted to the District. The SWMP considers this finding resolved.

**6. Quarterly Reports Missing, Not Signed and Dated**

*Auditor Recommendation:*

We recommend that the District implement procedures to ensure that quarterly reports are timely prepared, properly signed and dated, and submitted to MDNR within required timeframes.

*District Response:*

The District stated “Concur and adopt. Quarterly reports/filing procedures have been corrected since Pioneer Trails Regional Planning Commission became the District’s administrative contractor.”

*Current Status:*

Review of the project files noted two projects in which the quarterly and final reports appear to have not been submitted to MDNR and were not retained by the District. See Finding No. 12 *(from the Independent Accountant’s Report on Applying Agreed Upon Procedures for the period July 1, 2007 through June 30, 2009).*

*SWMP Response:*

We agree with the auditor's recommendation. The District must ensure reporting requirements are met. The audit found that quarterly reports submitted by the District were not always signed and dated. Additionally, many reports could not be located. The District concurred and indicated it had taken corrective action. However, the follow-up audit found the District did not meet reporting requirement for two projects.

*SWMP Recommendation:*

To resolve Finding No. 6, the District will need to provide a copy of amended written policies and procedures revised to ensure all reports are completed and submitted, as required. Additionally, the District is required to retain copies of quarterly and final reports.

**7. Expenditures After Project Expiration – Finding Resolved  
(Original Questioned Cost: \$13,584) – Final Disallowed Cost: \$0**

*Auditor Recommendation:*

We recommend that the District resolve questioned costs of \$13,584 with MDNR and establish procedures to ensure the timely reimbursement of project expenses in advance of project expiration.

*District Response:*

The District stated "Concur and adopt. Grantee expenditures on an expired grant will no longer be allowed per Board policy. Pioneer Trails Regional Planning Commission will monitor grant project progress to avoid this issue."

*Current Status:*

Review of the project files noted no expenditures incurred after project expiration. Consider this finding resolved. *(This information is from the Independent Accountant's Report on Applying Agreed Upon Procedures for the period July 1, 2007 through June 30, 2009.)*

*SWMP Response:*

We concur with the finding. However, the District needs to ensure that projects are timely completed and expenditures are incurred by the subgrantee prior to project expiration or an extension is approved by the Board and SWMP, as applicable. The audit found that in FY 2007 the District reimbursed subgrantees for expenditures incurred after expiration of the original project agreement without a grant extension being in place. The District concurred and indicated plans to monitor grant project progress to prevent recurrence. The follow-up audit found no instances of expenditures incurred after expiration of the project agreement.

We understand the District failed to act upon amendments and submit financial assistance agreements (FAA) to the SWMP for approval. This occurred at approximately the same time the District was changing to a new administrative contractor. Subgrantees, who may have requested extensions, were not aware the extensions had not been appropriately filed and

approved by the SWMP. Given these circumstances, subgrantee expenditures with appropriate documentation that would have been allowable under the original FAAs have been allowed. The SWMP considers this finding resolved as the District's follow-up audit found no instances of non-compliance.

*SWMP Recommendation:*

The District must continue to adequately monitor grant projects progress and ensure FAAs are in place. FAA extensions must be submitted prior to project expiration and subgrantees should be made aware that expenditures cannot be made during any period of time where an approved FAA is not in effect.

**8. Lack of Administrative Contract  
(Original Questioned Cost: \$39,529) – Final Disallowed Cost: \$39,529**

*Auditor Recommendation:*

We recommend the District implement procedures to ensure that administrative expenses are properly supported by an appropriately bid contract and that expenses are correctly budgeted and approved by MDNR. Additionally, the District should resolve questioned costs of \$39,529 with MDNR.

*District Response:*

The District stated "Concur and adopt. Pioneer Trails Regional Planning Commission once becoming the District's administrative contractor has submitted District operations grants for both Board and DNR review and approval."

*Current Status:*

An adequate administrative contract exists between the District and the administrative contractor and grant authorization was approved by MDNR. Consider this finding resolved. *(This information is from the Independent Accountant's Report on Applying Agreed Upon Procedures for the period July 1, 2007 through June 30, 2009.)*

*SWMP Response:*

We concur with the auditor's recommendation. For the District to be in compliance with the SWMP's regulations and the General Terms and Conditions related to the use of Solid Waste Management Funds, the District must have in place written contracts for administrative services. The District is required to submit an application including a line-item budget and obtain approval from the SWMP prior to incurring expenses and disbursing funds.

The audit found the District paid \$9,685 in SFY 2006 and \$29,844 in SFY 2007 for administrative costs. These costs were paid without an administrative contract and without a grant authorization from the SWMP. These costs are disallowed. The District used available cash balances including district grant funds intended for subgrant projects or interest income earned from not timely completing subgrant projects intended to reimburse subgrantees. During the audited periods, Quarterly Financial Status Reports (QFSR) were inaccurately

completed resulting in this unapproved use of district grant funds not being identified. These funds will be withheld from the 3rd Quarter FY2011 District operation grant allocation.

The follow-up audit found the District in compliance as they have taken corrective action to put into place a written administrative contract and have obtained the required SWMP approval.

*SWMP Recommendation:*

The Executive Board must have in place written contracts for administrative services. The Executive Board should continue to give particular attention to the process used for procurement of services, resulting contracts, and related payments to ensure compliance with State's regulations and the General Terms and Conditions.

The Executive Board must ensure the District properly requests and receives approval from the SWMP before spending any district funds. To assist in ensuring future compliance the Executive Board should ensure the District's procedures provide for verification that SWMP approval is received before authorizing services and incurring expenses.

**9. Failure to Provide Surety Bonding – Finding Resolved**

*Auditor Recommendation:*

We recommend the District cover all employees and board members involved with the receipt and disbursement of District funds and property with surety bond coverage.

*District Response:*

The District stated, "Concur and adopt. The Board is expected to have fidelity surety bonds for the Executive Board, i.e., Chairperson, Vice Chairperson, Secretary Treasurer, Pioneer Trails Executive Director and Pioneer Trails Fiscal Officer in the respective amounts of \$1,000,000, \$1,000,000, \$1,000,000, \$1,000,000 and \$500,000 by July 28, 2008."

*Current Status:*

Employees and board members with fiduciary responsibilities are adequately covered by a surety bond. Consider this finding resolved. *(This information is from the Independent Accountant's Report on Applying Agreed Upon Procedures for the period July 1, 2007 through June 30, 2009.)*

*SWMP Response:*

We concur with the auditor's recommendation. The Executive Board must ensure adequate surety bond coverage is maintained at all times for District staff and board members with fiduciary responsibilities. Failure to ensure adequate bond coverage increases to an unacceptable level the risk for loss of public monies entrusted to the District.

The District concurred and has obtained adequate bond coverage. The follow-up audit found the District adequately covered. The SWMP considers this finding resolved.

*SWMP Recommendation:*

The SWMP recommends the District modify their procedures to periodically review the bond coverage to ensure that the amount is adequate to protect the District funds. The District should also set up an annual reminder on its calendar to renew the bond.

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

*Auditor Recommendation:*

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

*District Response:*

The District stated, “Concur and adopt. The Board will seek the ‘alternative’ management structure, correcting the bylaws as needed and conducting officers’ election in August/September timeframe. Pioneer Trails Regional Planning Commission as the District’s administrative contractor will assist.”

*Current Status:*

Not implemented. See Finding No. 7 (*from the Independent Accountant’s Report on Applying Agreed Upon Procedures for the period July 1, 2007 through June 30, 2009*).

*SWMP Response:*

We concur with the auditor’s recommendation. The District must take corrective action to ensure its management structure is in compliance with Section 260.305 RSMo. Compliance with state law is a condition of the grant award. Failure of the District to comply places the District at risk for loss of future funding.

The audit found the District’s management structure was not in compliance with state statutes or the District’s bylaws. State statutes provide that, except for those Districts which formulate an alternative management structure, the Executive Board will consist of seven persons. The District had not adopted an alternative management structure and its Executive Board consisted of eleven members. State statutes also require districts to establish a solid waste management council and prescribe the duties of the council. The District’s council had not met in five years and was no longer functioning. In addition, the District’s bylaws conflicted with the management structure used.

The District concurred and indicated plans to adopt an alternative management structure, revise its bylaws, and conduct officers’ election. However, the follow-up audit found the District had yet to adequately address this finding.

*SWMP Recommendation:*

The District must operate under a management structure as prescribed by state statutes or formally adopt, through a resolution, an alternative management structure which must be formulated and agreed to by each county in the District. The District's bylaws must accurately reflect the management structure adopted by the District. The District should begin annually reviewing and amending, as needed, its bylaws to reflect the District's actual practices, which must be in compliance with state law.

We understand the District has been working towards adopting an alternative management structure, establishing a functional council, and revising its bylaws. In order to provide for resolution of Finding No. 10, please provide to the SWMP the following documentation:

- a. A copy of each approval letter from the governing body of each member county;
- b. A copy of the resolution that formally establishes the alternative management structure;
- c. A copy of the amended bylaws revised to accurately reflect the management structure adopted by the District;
- d. A copy of the signed meeting minutes documenting the District's approval of the alternative management structure and bylaws revision;
- e. A copy of the council membership and signed meeting minutes from the council's first meeting; and
- f. A copy of the advisory board membership and signed meeting minutes.

**11. Unreported Interest Income – Finding Resolved**

*Auditor Recommendation:*

We recommend the District maintain accounting records that track all sources of income including interest income received by the District and report interest income as required by MDNR. Interest income when obligated for district grants should be identified in the grant application for approval by MDNR.

*District Response:*

The District stated, "Concur and adopt. Accounting records are now being maintained to properly account for cumulative interest income since Pioneer Trails Regional Planning Commission became the District's administrative contractor."

*Current Status:*

Interest income is now reported on the Quarterly Project Financial Summary reports. Consider this finding resolved. (*This information is from the Independent Accountant's Report on Applying Agreed Upon Procedures for the period July 1, 2007 through June 30, 2009.*)

*SWMP Response:*

We concur with the auditor's recommendation. The District must maintain accounting records and supporting documentation to properly account for interest income and report it appropriately.

The audit found that cumulative interest income was not reported on the QFSR. The FY 2006 and 2007 reports reflected only amounts earned during the current fiscal year. Interest earned in prior years and still on-hand could not be determined from records available at the District. The District concurred and indicated it had taken corrective actions. The follow-up audit found that during FY 2008 and FY 2009 the District maintained adequate accounting records to properly account and report interest income on QFSRs. The SWMP considers this finding resolved.

*SWMP Recommendation:*

The SWMP recommends the District ensure its procedures continue to treat and report interest income appropriately.

**12. Inaccurate Quarterly Financial Summary Reports**

*Auditor Recommendation:*

We recommend that the District implement procedures to ensure that quarterly reports are prepared accurately. We also recommend the District prepare a revised financial report as of June 30, 2007 that accurately reflects subgrant awards and disbursements and reconcile remaining cash balances to the total cash held by the District.

*District Response:*

The District stated “Concur and adopt. Grant accounting records are now being maintained to properly account for the quarterly financial summary reports since Pioneer Trails Regional Planning Commission became the District’s administrative contractor.”

*Current Status:*

Quarterly Project Financial Summary reports for the periods ending June 30, 2008 and 2009 were not prepared accurately and did not reconcile to total cash held by the District. The reconciliation of the District’s cash balance at June 30, 2009 resulted in an unidentified balance of \$10,527.94. See Finding No. 3 (*from the Independent Accountant’s Report on Applying Agreed Upon Procedures for the period July 1, 2007 through June 30, 2009*).

*SWMP Response:*

We concur with the auditor’s recommendation. The Executive Board must ensure the District maintains an accounting system in accordance with generally accepted accounting principles including grant project tracking records that permit accurate preparation of QFSRs. The accounting system must ensure the District’s records are reliable and reflect project awards received, disbursements made, ending balances, and are reconcilable.

The audit found that QFSRs for the periods ending June 30, 2006 and 2007 were not accurate and did not reconcile at fiscal year end. The District concurred and indicated it had taken corrective actions. However, the follow-up audit found that QFSRs for the period ending June 30, 2008 and 2009 were not accurate and did not reconcile.

The SWMP worked with the District to reconcile grant project records to cash balances as of June 30, 2006 and 2007. A reconciliation of the total project awards received, disbursed, and ending balances was prepared for both fiscal years. The remaining funds obligated to projects were identified for all open projects and reconciled. Completed projects to be closed were identified and any remaining funds were treated as unobligated district grant carryover and balances reconciled.

*SWMP Recommendation:*

The District must ensure future QFSRs accurately reflect the actual status of each project, fully disclose unobligated funds held by the District and are reconciled. The Executive Board should provide oversight of the QFSRs to ensure they accurately reflect the financial status of the District and that reconciliation has occurred.

To resolve Finding No. 12, please provide a copy of the written policies and procedures adopted by the District to establish an accounting system in accordance with generally accepted accounting principles to ensure accurate preparation of grant reports including QFSRs. Additionally, please provide copies of monthly reconciled bank statements with submission of the QFSRs to allow for verification that the District is reconciling QFSRs to the bank statements.

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

*Auditor 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 the accounting of project expenditures.

*District Response:*

The District stated, "Concur and adopt. 15% withheld on payments to subgrantees is board policy. Pioneer Trails Regional Planning Commission will monitor grant payments to withhold the 15% retainage until final report."

*Current Status:*

Not implemented. See Finding No. 9 (*from the Independent Accountant's Report on Applying Agreed Upon Procedures for the period July 1, 2007 through June 30, 2009*).

*SWMP Response:*

We concur with the auditor's recommendation. The Executive Board needs to retain 15% of the subgrant until the project is complete and the subgrantee submits the final report or has a written procedure approved by the SWMP allowing for early release of retainage in accordance with 10 CSR 80-9.050(7)(D).

The audit found the District did not withhold 15% of the award until the Board approved the subgrantee's final report. No retainage was withheld from payments for any of the ten projects reviewed. The District concurred and indicated it had taken corrective action. However, the

follow-up audit found during SFY 2008 and SFY 2009 actual retainage withheld from payment for six projects was less than the required 15%.

*SWMP Recommendation:*

To resolve Finding No. 13, please provide a copy of the written policies and procedures adopted by the District to ensure withholding of the 15% retention amount until Board approval of the subgrantee's final report and final accounting of project expenditures. The alternative would be to submit a copy of the written policies and procedures providing for the subgrantee to request from the District and the SWMP approval for early release of the retainage.

**14. No Stated Waste Diversion Goals – Finding Resolved**

*Auditor Recommendation:*

We recommend the District establish diversion goals for each project and obtain and report weight or volume of waste diverted.

*District Response:*

The District stated, "Concur and adopt. Both initial diversion tonnage estimates as well as quarterly and final diversion tonnages reporting is board policy. Pioneer Trails Regional Planning Commission will monitor grant process to ensure this reporting."

*Current Status:*

The quarterly status reports for the projects reviewed all indicated the stated diversion goals and reported diversion. Consider this finding resolved. *(This information is from the Independent Accountant's Report on Applying Agreed Upon Procedures for the period July 1, 2007 through June 30, 2009.)*

*SWMP Response:*

We concur with the auditor's recommendation. The District must establish diversion goals for applicable projects and report actual waste diverted in Quarterly Project Status Reports (QPSRs).

The audit found that no stated diversion goals were reported in the QPSRs for any of the ten projects reviewed. Only one of the ten projects reported weight or volume information for waste diverted. The District concurred and indicated it would ensure reporting in the future. The follow-up audit found that diversion goals and waste diverted were reported in the QPSRs for all the projects reviewed. The SWMP considers this finding resolved.

*SWMP Recommendation:*

The SWMP recommends the District continue to ensure waste diversion goals are established for district grant projects. The primary objective of the district grant program is reduction of waste entering landfills.

**15. Fixed Assets Inventory Management Inadequate  
(Original Questioned Cost: \$16,829) – Final Disallowed Cost: \$16,829**

*Auditor Recommendation:*

We recommend (1) the District maintain property inventory records of all subgrantee equipment as described in the General Terms and Conditions and that a physical inventory be completed at least once every two years, (2) the District require a written annual statement from subgrantees stating that equipment, buildings, and site improvements purchased with District funds are used solely for the intended purpose, (3) the District obtain insurance coverage documentation from subgrantees for all equipment and other fixed assets purchased or constructed with SWMD monies, and (4) resolve questioned cost of \$16,829 for unutilized equipment with MDNR.

*District Response:*

The District stated, “Concur and adopt. Annual certification on equipment usage is board policy. Pioneer Trails Regional Planning Commission will monitor equipment inventory to ensure this reporting. Equipment on-site grantee inspections will be conducted quarterly.”

*Current Status:*

The District has implemented an inventory of subgrantee equipment and the District required that subgrantees submit an annual use statement for equipment used in project activities. Additionally, the District maintains proof of insurance for equipment used for project activities. However, the District did not record a serial number on all fixed assets purchased with subgrantee funds. See finding No. 8 (*from the Independent Accountant’s Report on Applying Agreed Upon Procedures for the period July 1, 2007 through June 30, 2009*).

*SWMP Response:*

We concur with the auditor’s recommendation. The District needs to ensure accurate and complete fixed asset inventory records, acquired in whole or in part with district grant funds, are maintained. Required information includes: description, serial number or other identification number, source of property, acquisition date, cost and percentage of cost funded with district grant funds, location, use, and current condition of the property.

The audit found the District did not maintain an inventory of equipment purchased with district grant funds, did not require subgrantees to submit annual use statements certifying that equipment was used for project activities, and did not obtain proof of insurance coverage from subgrantees.

The District concurred and indicated it has taken corrective actions. The follow-up audit found the District in compliance with the requirement for proof of insurance and the annual use statement requirement. The audit also found the District has developed and is maintaining an inventory listing; however, the listing did not include all required information. Specifically, the listing did not include a serial number or other identification number, the acquisition date, or the percentage of district grant funds used to purchase the fixed asset.

At the time of the audits, camera surveillance equipment purchased for Project No. F2005-210 totaling \$16,829 had not been used. The District and subgrantee did not take timely action to ensure use or appropriate disposal of the equipment with funds recovered being returned to the District. The amount of this subgrant is disallowed for failure to implement the project.

*SWMP Recommendation:*

The Executive Board must ensure that all grant funded fixed assets are properly recorded, adequately safeguarded, appropriately used, and periodically monitored.

To resolve Finding No. 15, please provide to the SWMP a copy of the District's policies and procedures related to fixed asset management and a copy of the District's most recently reconciled physical inventory of fixed assets.

**16. Matching Funds Not Monitored**

*Auditor Recommendation:*

We recommend that the District implement procedures to monitor matching expenditures and ensure that match requirements are met in accordance with the FAA.

*District Response:*

The District stated, "Concur and adopt. Matching funds is not a state requirement. However, the Region F Board encourages a 'match'. Pioneer Trails Regional Planning Commission will monitor these 'matching funds' if offered and ensure the grant evaluation reflect this encouragement."

*Current Status:*

Not implemented. See Finding Nos. 10 and 11 (*from the Independent Accountant's Report on Applying Agreed Upon Procedures for the period July 1, 2007 through June 30, 2009*).

*SWMP Response:*

We concur with the auditor's recommendation. If the District awards grant funds based on budgets containing match, it is the District's responsibility to adequately monitor and take appropriate action when the subgrantee fails to provide such match. Grant funds should be reduced appropriately to reflect the lower subgrantee match provided.

If the District awards grant funds based on match provided, monitoring and corrective action of match must be included in the District's written policies and procedures and should be clearly communicated to subgrantees during the application and grant award process.

The audit found the District did not monitor matching funds committed to projects by the subgrantee. Project files contained no evidence that the subgrantee met their matching commitments. The District concurred and indicated future plans to monitor matching expenditures. However, the follow-up audit found the recommendation was not implemented.

*SWMP Recommendation:*

The SWMP recommends the District take the following actions to resolve Finding No. 16:

- a. The Executive Board should review and ensure the District's policies and procedures related to match required by the District result in match being adequately monitored and appropriate action taken when the subgrantee fails to meet the match requirement.
- b. A copy of the District's written policies and procedures approved by the Executive Board and documented within the District's signed meeting minutes should be provided to the SWMP.

**17. Conflict of Interest**

*Auditor Recommendation:*

We recommend that the District closely adhere to their recently adopted (April 2008) revised conflict of interest policy that ensures the avoidance of a real or implied conflict of interest.

*District Response:*

The District stated, "Concur. Region F Board has adopted a strict conflict of interest policy, further the employee in question has retired as of 27 June 2008."

*Current Status:*

The Executive Board Chairman noted above is no longer the Board Chairman and Prairie Rose RC&D is no longer the administrative contractor for the District. Additionally, the District has implemented conflict of interest statements that are signed by each board member annually. However, the audit noted potential conflict of interest concerns regarding Executive Board members ranking and reviewing project proposals from the counties and cities that they represent. See Finding No. 4 (*from the Independent Accountant's Report on Applying Agreed Upon Procedures for the period July 1, 2007 through June 30, 2009*).

*SWMP Response:*

We concur with the auditor's recommendation. The District must ensure the avoidance of a real or implied conflict of interest.

The audit found that the spouse of the Executive Board Chairman served in the position of education coordinator for the District's administrative contractor, Prairie Rose RC&D. The Executive Board Chairman also served as the Prairie Rose RC&D Board Chairman during the audit period. The District awarded one or more subgrants each year to Prairie Rose RC&D for education/information projects. The Executive Board Chairman actively participated in the review and evaluation of the project proposals submitted by Prairie Rose RC&D and signed financial assistance agreements on behalf of the District.

The District concurred and indicated it had taken corrective action by adopting a strict conflict of interest policy. The follow-up audit found the individuals in question were no longer associated with the District and the District had implemented the requirement for annual

disclosure of potential areas of conflict of interest by each board member. During the follow-up audit, additional areas of concern were noted. Specifically, the audit identified potential conflict of interest regarding Executive Board members reviewing and ranking project proposals from the counties and cities they represent. The District's policy must address potential conflicts of interest and guidelines of operation when such conflict may or appear to exist.

*SWMP Recommendation:*

To resolve Finding No. 17, the District will need to review its conflict of interest policies and procedures to correct this finding. Please provide to the SWMP a copy of the District's amended conflict of interest policy once approved by the Board and a copy of the Board signed minutes that documents the Board's approval of the amended policy and copies of the latest signed conflict of interest statements.

For the next grant cycle, we request the District submit a copy of the Board signed meeting minutes for the meetings where grant awards are discussed and awarded as verification of the District's compliance with the conflict of interest policy and statements. This documentation can be submitted with the next QPSRs following the grant meeting.

**18. Printed Materials Do Not Include MDNR as Funding Source – Finding Resolved**

*Auditor Recommendation:*

We recommend that the District implement procedures to ensure that all printed materials distributed by the District or any subgrantee of the District properly credit MDNR for funding and identify the Department and its logo.

*District Response:*

The District responded, "Concur and adopt. Proper logos and verbiage are being purchased. Pioneer Trails Regional Planning Commission will monitor this activity."

*Current Status:*

The District has implemented procedures to ensure that MDNR is credited on each publication distributed by the District. Consider this finding resolved. *(This information is from the Independent Accountant's Report on Applying Agreed Upon Procedures for the period July 1, 2007 through June 30, 2009.)*

*SWMP Response:*

We concur with the auditor's recommendation. The audit found the District did not print a statement naming MDNR as a funding source on all publications. The District concurred and indicated it has adopted the recommendation. The follow-up audit found the District in compliance with this requirement. The SWMP considers this finding resolved.

*SWMP Recommendation:*

The SWMP recommends the District continue to review and require all subgrantees to review all materials prior to printing to ensure MDNR and its logo are identified and credit is given for funding the project.

**19. Executive Board Lack of Involvement and Inadequate Oversight of Administrative Contractor**

*Auditor Recommendation:*

We recommend that the District Executive Board exhibit due diligence to ensure the District operates in accordance with its bylaws and take a more active role to ensure the efficiency and effectiveness of District operations.

*District Response:*

The District responded, "Adopt and concur. The Board activity and involvement has increased greatly since Pioneer Trails Regional Planning Commission has become the District's administrative contractor. Board structure, bylaws and election of officer sub-committees have been formed. Board elections are expected in the August/September timeframe. Pioneer Trails Regional Planning Commission as the District's administrative contractor will assist."

*Current Status:*

All minutes were located for the audit period, annual elections were held for the Chairman, Vice Chairman, Secretary and Treasurer, and a formal conflict of interest policy was implemented. Consider this finding resolved. *(This information is from the Independent Accountant's Report on Applying Agreed Upon Procedures for the period July 1, 2007 through June 30, 2009.)*

*SWMP Response:*

We partially concur with the auditor's recommendation. The audit found that the Executive Board did not always discharge responsibilities as prescribed in their bylaws, the District remains non-compliant in its lack of an approved management structure, and has yet to amend its practices to review reconciliations of the accounting system. The Executive Board must bring the Board and District into compliance with the Solid Waste Management Law and regulations.

*SWMP Recommendation:*

The SWMP recommends the Executive Board continue to take a pro-active role in the management of the District to ensure compliance is met and maintained and program goals and objectives are attained. In order for this finding to be considered resolved, all other findings from this report must be resolved to the satisfaction of the SWMP.

**20. Lack of Project Monitoring and Documentation – Finding Resolved**

*Auditor Recommendation:*

We recommend the District implement procedures to ensure that periodic site visits are made and properly documented.

*District Response:*

The District responded, “Adopt and concur. Pioneer Trails Regional Planning Commission will monitor all grant projects on a quarterly basis reporting findings to the Board.”

*Current Status:*

The fixed asset list maintained by the District notes the projects that have been visited by the District. Consider this finding resolved. *(This information is from the Independent Accountant’s Report on Applying Agreed Upon Procedures for the period July 1, 2007 through June 30, 2009.)*

*SWMP Response:*

We concur with the auditor’s recommendation. The audit found the District did not regularly perform subgrantees site visits and did not document those site visits that were performed. The District concurred and indicated plans to monitor all subgrant projects on a quarterly basis. The follow-up audit found the District is now conducting and documenting site visits. The SWMP considers this finding resolved.

*SWMP Recommendation:*

The SWMP recommends the District continue to ensure periodic site visits of subgrant projects occur and are adequately documented in the subgrant project file. The Executive Board should be updated by the administrative contractor periodically on the subgrant projects visited and the project’s status to ensure monitoring visits are made.

**Performance Audit Resolution**  
**Region F – West Central Missouri Solid Waste Management District**  
July 1, 2007 through June 30, 2009

**1. Failure To Comply With Sunshine Law**

*Auditor Recommendation:*

We recommend that the District be required to immediately adopt all required forms of documentation as stipulated by the Missouri Sunshine Law.

*District Response:*

The District stated, “Concur and adopt. The issues have been corrected by the District.”

*SWMP Response:*

We agree with the auditor’s recommendation. The District must ensure compliance with Chapter 610 RSMo, commonly referred to as the Missouri Sunshine Law. Compliance with state law related to open meetings and records is a condition of the grant award. Failure of the District to comply places the District at risk for loss of district grant funds. Furthermore, failure of the Board to comply with Missouri’s Sunshine Law can result in penalties for the Executive Board or District Board members individually.

*SWMP Recommendation:*

With this repeat finding, the District must take immediate action to ensure the deficiencies identified within the audit reports are fully corrected.

To resolve Finding No. 1, please provide a copy of the written policies and procedures adopted by the District to ensure compliance with Missouri’s Sunshine Law.

As stated in Finding No. 1 of the SFY 2006 and SFY 2007 report, we are requiring for the period July 2010 through June 2011, a copy of the Board’s meeting agendas, public notices, and approved minutes be provided to allow the SWMP to verify the District’s compliance. These documents may be submitted along with the District's quarterly project status reports.

The SWMP recommends the District take the following actions to resolve Finding #1:

- a. The Executive Board review and make amendments to the District's policy and related procedures to ensure compliance with the Sunshine Law, including the requirement that all Executive Board meeting minutes include the names of the members absent from meeting and a record of votes taken with each yea and nay or abstinence if not voting attributed to the individual member, as applicable.
- b. A copy of the amended policies and procedures and with approval documented in the District’s signed meeting minutes will need to be submitted to the SWMP.

## **2. Lack of Executive Board Review of the Bank Reconciliations**

### *Auditor Recommendation:*

We recommend that the District immediately implement a policy in which bank reconciliations performed on District bank accounts are reviewed, dated and signed by the Treasurer or other Executive Board members evidencing their review.

### *District Response:*

The District stated, “Concur and adopt. Bank reconciliations will be reviewed by the Executive Board members and the review will be documented via email.”

### *SWMP Response:*

We concur with the auditor’s recommendation.

### *SWMP Recommendation:*

The District has indicated the recommendation has been implemented. The SWMP recommends the District take the following additional actions to fully resolve Finding No. 2:

- a. The Executive Board must review and amend, as needed, the District’s policy and procedures to ensure bank reconciliations are reviewed and signed by a board member familiar with District activity. The reconciliations must be dated and signed as reviewed and approved by the board member.
- b. During SFY 2011, the District must submit copies of reconciled and approved bank statements with the QPFRs to the SWMP to allow for verification that the procedure has been fully implemented.
- c. Any modifications to the District’s policies and procedures must be in writing and approved by the Executive Board and documented within the District’s signed meeting minutes with copies provided to the SWMP.

## **3. Inaccurate Quarterly Project Financial Summary Reports (Original Questioned Costs: \$10,527.94) – Final Disallowed Cost: \$0**

### *Auditor Recommendation:*

We recommend that the District implement procedures to ensure that the Quarterly Project Financial Summary reports are prepared accurately, reconciled to the District cash balance and reviewed by the Executive Board. Additionally, the District should prepare a revised financial report as of June 30, 2009 that accurately reflects subgrant awards and disbursements and reconcile remaining cash balances to the total cash held by the District. Furthermore, the District should resolve questioned costs of \$10,527.94 with the MDNR

*District Response:*

The District stated, “Concur and adopt. Quarterly Project Financial Summaries will be reported accurately and reconciled to the total cash held by the District in accordance with District F Policy and Procedures.”

*SWMP Response:*

The SWMP concurs with the auditor’s recommendation. The audit found the QFSRs for the periods ending June 30, 2008 and 2009 were not accurate and did not reconcile to cash held by the District at fiscal year end. The audit also found the District does not have a policy for review and reconciliation of the QFSRs to the accounting system.

The SWMP worked with the District to identify and reconcile cash balances as of June 30, 2008 and 2009. The status of projects awards, expenditures and remaining balances was determined. The remaining balances on all open projects were identified as obligated district grant funds and reconciled to the total cash held by the District. The remaining balances on completed projects to be closed were identified as unobligated carryover and reconciled to the total cash held by the District. Upon reconciliation, the SWMP determined there to be no questioned costs.

*SWMP Recommendation:*

To resolve Finding No. 3, please provide a copy of the written policies and procedures adopted by the District to ensure QFSRs are prepared accurately, reconciled to the District cash balance and reviewed by the Executive Board. The SWMP will be monitoring the QFSRs and providing comments directly to the Executive Board on a quarterly basis during SFY 11, so the Executive Board may take other action necessary to ensure accurate reporting.

**4. Conflict of Interest**

*Auditor Recommendation:*

We recommend that the District develop a formal conflict of interest policy setting out guidelines to Executive Board members and that these policies be updated and approved by the Executive Board annually. The conflict of interest policy must include guidance on the review of project proposals by public/governmental officials receiving benefit from a particular grant request of their respective organization.

*District Response:*

The District stated, “Concur and adopt. Region F’s conflict of interest policy will exclude review by public/governmental officials receiving benefit from a particular grant request of their respective organization.”

*SWMP Response:*

As stated in Finding No. 17 of the SFY 2006 and SFY 2007 report, the SWMP concurs with the auditor's recommendation. The District must ensure the avoidance of a real or implied conflict of interest. Further clarification for this recommendation may be found at Finding No. 17.

*SWMP Recommendation:*

Please see the SWMP recommendations at Finding No. 17 of the SFY 2006 and SFY 2007 report.

**5. Grant Proposal Evaluation Incomplete**

*Auditor Recommendation:*

We recommend that the District implement procedures to ensure that a formal notification is sent to applicants whose proposals have been evaluated as ineligible or incomplete.

*District Response:*

The District stated, "Concur and adopt. The District will formally reply to applicants concerning ineligible or incomplete proposals and this policy will be included in District Policy and Procedures."

*SWMP Response:*

We concur with the auditor's recommendation. The Executive Board must ensure applicants are notified appropriately when a proposal is determined to be ineligible or incomplete. Copies of signed and dated letters notifying unsuccessful applicants of reasons for the determination must be retained in the District's files to allow verification of compliance.

*SWMP Recommendation:*

The District indicated plans to ensure formal notification is sent to applicants whose proposals have been evaluated and determined to be ineligible or incomplete.

In order to resolve Finding No. 5, please submit to the SWMP a copy of the District's policy and procedure approved by the Board and a copy of the signed meeting minutes documenting the Board's action. Additionally, please include in the District's next grant submission package copies of any letters mailed to unsuccessful applicants notifying them of a determination by the Board that their application was incomplete or ineligible or a statement that no proposals were determined to be incomplete or ineligible.

**6. Annual District Financial Audit Lacks Statement of Subgrant Expenditures – Finding Resolved**

*Auditor Recommendation:*

We recommend that the District implement procedures to ensure that the annual District financial audit is complete and complies with all applicable rules and regulations.

*District Response:*

The District stated, “Concur and adopt. A properly completed Statement of Subgrant Expenditures is included in the annual District financial audit ending June 30, 2009.”

*SWMP Response:*

We concur with the auditor’s recommendation. The District indicated the recommendation has been implemented. The financial statement audit for the year ended June 30, 2009 included the required Statement of Subgrant Expenditures.

*SWMP Recommendation:*

The Executive Board must continue to ensure the District’s financial statement audit contains all required statements and information and is in compliance with all applicable requirements.

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

*Auditor Recommendation:*

We recommend the District either adopt an alternative management structure or operate its management structure as prescribed in its bylaws and state statutes. Additionally, the District should increase its efforts to recruit persons to serve as members of the council and the advisory committee.

*District Response:*

The District stated, “Concur and adopt. The District Council and the Advisory Committee meets November 19, 2009 and additional meetings and members will be held and sought.” Additionally, the District stated, “Evidencing documentation will be provided to show member counties accept an alternative management structure.”

*SWMP Response:*

We concur with the auditor’s recommendation. The District must correct the conditions identified by the auditor and ensure its management structure is in compliance with Section 260.300 RSMo. This audit continued to find that the District could not provide documentation of the Alternative Management Structure having been established. Furthermore, the audit found the District has not appointed one or more geographically balanced advisory committees to assess and make recommendations on solid waste management as required by state statute.

The District has indicated the following plans:

- To submit documentation that the District has adopted an alternative management structure approved by member counties.
- To work towards establishing a functional council and appointing an advisory committee.
- To increase participation and bring its council membership into compliance with state statute and the District's bylaws. As currently written, this would require the council to consist of 29 members.
- To establish an advisory committee and work to recruit additional members to serve on that committee.

We understand the District has established an advisory committee which has met. Given the amount of time elapsed since completion of the first audit, the District must now provide to the SWMP documentation proving its management structure has been formalized within 90 days of receipt of this document.

*SWMP Recommendation:*

Please see the SWMP recommendations at Finding No. 10 of the SFY 2006 and SFY 2007 report.

## **8. Equipment Management Issues**

*Auditor Recommendation:*

We recommend that the District implement procedures to ensure that property records are adequately maintained and include the items necessary to meet the requirements of the MDNR General Terms and Conditions.

*District Response:*

The District stated, "Concur and adopt. The fixed asset inventory listing will include identification number, equipment descriptions, acquisition date and percentage of state funds used for purchase."

*SWMP Response:*

The SWMP concurs with the auditor's recommendation.

*SWMP Recommendation:*

Please see the SWMP recommendations at Finding No. 15 of the SFY 2006 and SFY 2007 report.

## **9. Failure to Withhold 15% Retainage**

### *Auditor 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 the accounting of project expenditures.

### *District Response:*

The District stated, “Concur and adopt. Withholding will be calculated and withheld at 15% in accordance with District F Policy and Procedures.”

### *SWMP Response:*

The SWMP concurs with the auditor’s recommendation.

### *SWMP Recommendation:*

To resolve Finding No. 9, please provide a copy of the written policies and procedures adopted by the District to ensure withholding of the 15% retention amount until Board approval of the recipient final report and final accounting of project expenditures.

## **10. Matching Funds Not Adequately Monitored**

### *Auditor Recommendation:*

We recommend that the District implement procedures to monitor matching expenditures and ensure that match requirements are met in accordance with the FAA.

### *District Response:*

The District stated, “Concur and adopt. Matching funds will be monitored in accordance with District F Policy and Procedures.”

### *SWMP Response:*

The SWMP concurs with the auditor’s recommendation. The District must monitor District required match to ensure the match is provided.

### *SWMP Recommendation:*

Please see the SWMP recommendations at Finding No. 16 of the SFY 2006 and SFY 2007 report.

**11. Matching Funds Requirement Not Met  
(Original Questioned Costs: \$3,215) – Final Disallowed Cost: \$3,215**

*Auditor Recommendation:*

We recommend that the District implement procedures to monitor matching expenditures and ensure that match requirements are met in accordance with the FAA. We also recommend the District resolve the questioned costs of \$3,215 with the subgrantee and the MDNR.

*District Response:*

The District stated, “Concur and adopt. The initial subgrantee’s ratio of grant-to-matching funds will be constant through the life of the grant.”

*SWMP Response:*

The SWMP concurs with the auditor’s recommendation. If it is the policy of the District to require matching funds, it is the District’s responsibility to ensure the match is provided by the subgrantees in accordance with the FAA. The District needs to adequately monitor project expenditures and take appropriate action when subgrantees fail to meet the required match.

The audit found for project F2009-13 full documentation of expenditures of subgrantee matching funds committed to the project could not be provided as the total cost of equipment was less than anticipated. The FAA between the District and the subgrantee for this project budgeted \$25,000 (79%) in awarded district grant funds and \$6,500 (21%) in match funds for a total budget of \$31,500. When the project cost came under budget at \$27,576, a reduction was not applied at the pro rata percentage for district grant funds vs. match funds, rather the reduction was applied only to the match and the District reimbursed the subgrantee \$25,000 in district grant funds.

The project’s total cost (\$27,576) should have been distributed equitably based on the calculated percentages between the district grant funds and matching funds as follows:

District Funds - \$21,785 (79%)  
Matching Funds - \$5,791 (21%)

The difference between the amount reimbursed by the District and the allowable district grant funds is \$3,215, which is disallowed. These funds will be withheld from the 3rd Quarter SFY 2011 district operations grant allocation.

*SWMP Recommendation:*

The SWMP recommends the District seek reimbursement of the \$3,215 in disallowed cost from the subgrantee. Any funds recovered must be made available for future district grant projects. To assist in ensuring future compliance, the Executive Board should review the District’s subgrants policies and procedures to ensure the subgrantees include with the invoice requesting reimbursement supporting documentation of project expenditures, including documentation of the portion of expenditures met through match.

The Executive Board should review the District's disbursement policies and procedures to ensure they provide for verification the subgrantee has met the match committed to the project and provided documentation before disbursing any district grant funds.

## **12. Quarterly and Final Reports Missing**

### *Auditor Recommendation:*

We recommend that the District implement procedures to ensure that quarterly and final reports are timely prepared, properly signed and dated, and submitted to MDNR within required timeframes. Additionally, the final reports on project numbers F2008-1 and F2008-2 have not been submitted and should have a final report submitted to MDNR for a final accounting of the grants not reported.

### *District Response:*

The District stated, "Concur and adopt. District will work to ensure that all quarterly and final reports are submitted timely to MDNR and are retained in the project file."

### *SWMP Response:*

The SWMP concurs with the auditor's recommendation.

### *SWMP Recommendation:*

To resolve Finding No. 12, please provide a copy of the policies and procedures adopted by the District to ensure timely completion (i.e., signed and dated), submission, and maintenance of copies of quarterly and final reports in the District's files. Additionally, please provide to the SWMP a copy of the final report for projects, F2008-1 and F2008-2.