



Missouri Department of dnr.mo.gov

NATURAL RESOURCES

Eric R. Greitens, Governor

Carol S. Comer, Director

MAR 13 2018

Mr. Pat Kelly
1034 S. Brentwood Blvd. Suite 410
Brentwood, MO 63317

Dear Mr. Kelly:

The Solid Waste Management Program (SWMP) has received the final Independent Auditors' Report Performance Audit of Region L - St. Louis-Jefferson Solid Waste Management District (District), conducted by McBride, Lock & Associates, LLC, of Kansas City, Missouri. The performance audit of District "L" was completed in accordance with 260.325.10, RSMo.

We have reviewed the findings made by the accounting firm and the District's responses to those findings. We have prepared a list of recommended actions (enclosed) that we recommend the District take to correct problems identified in the audit. Our recommended actions are addressed in the same order as the issues in the accountants' report.

Your response to our recommended actions should be submitted in writing to SWMP within 60 days of this letter's date. We will be able to review your response more quickly if you follow the same order as the list of recommended actions.

After the SWMP receives your written comments regarding the recommended actions, SWMP will contact you to reach a final resolution of the audit findings.

We appreciate your assistance with these auditing efforts. If you have any questions, please contact Ms. Debbie Ickes at (573) 526-3937, by mail at Missouri Department of Natural Resources, Solid Waste Management Program, P.O. Box 176, Jefferson City, MO 65102 or by email at debbie.ickes@dnr.mo.gov.

Sincerely,

SOLID WASTE MANAGEMENT PROGRAM

Debbie Ickes, Accounting Specialist
Solid Waste Management Program

Enclosure

c: Mr. David Berger, St. Louis-Jefferson Solid Waste Management District



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Performance Audit Follow-up
Region L – St. Louis-Jefferson Solid Waste Management District
January 1, 2015 through December 31, 2016

1. No Evidence of Executive Board Review of the Bank Reconciliations Subsequent to November 2016

Auditor Recommendation:

We recommend the district implement procedures to ensure bank reconciliations on bank accounts along with supporting documentation is reviewed, dated, and signed by the Treasurer or other executive board member, evidencing their review.

District Response:

The district stated, “The finance committee members serving at that time retired from the executive board in December 2016. The financial reports were prepared as normal in early 2017 by professional CPA accounting firm, and were professionally audited in the district’s annual 2016 independent financial audit. The December 2016 reports have now also been reviewed by the district finance committee of the executive board on October 5, 2017. The district procedures continue to exceed generally accepted accounting principles.”

SWMP Response:

SWMP agrees with the auditor’s recommendation.

SWMP Recommendation:

SWMP recommends the District must ensure adequate internal controls pertaining to financial accounting and transparency are evidenced in policy and implementation. The District must submit written policy within 90 days, as well as the established procedure.

2. Inaccurately Prepared Quarterly Project Financial Summary Reports

Auditor Recommendation:

We recommend the district implement procedures to ensure the accuracy of quarterly project financial summary reports prepared and submitted to the DNR.

District Response:

The district stated, “Quarterly financial summaries will only include interest earned on district grant funds and carryover from district grant funds. These are tracked separately by the accounting system.”

SWMP Response:

SWMP agrees with the auditor’s recommendation.

SWMP Recommendation:

The District shall submit District and District Subgrantee information, as required by the Quarterly Project Financial Summary Reports, within thirty (30) days after the end of each state fiscal year quarter. The executive board shall retain all records and supporting documents directly related to the funds and projects for a period of three (3) years from the date of submission. The District must submit written policy within 90 days, as well as the established procedures.

3. District Carryover Funds and Interest Income in Excess of \$20,000

Auditor Recommendation:

We recommend the district allocate excess carryover and interest income funds to projects other than district operations in the district's next request for project proposals, unless approved by the DNR.

District Response:

The district stated, "The district has been regularly allocating both interest earnings and rollover funds as part of both district operations and district grants for many years. Funds are allocated and moved into operations after January 1 each year. Changing this longstanding schedule would create major administrative disruptions for district operations and for district grants and grant recipients. This schedule allows the district to build funds from interest and rollover for allocation into the next round of grants and operations.

The district has maintained a reserve fund equal to approximately four months of operating expenses for about 10 years. This reserve amount will remain the same.

The district has been allocating district grant interest to its annual operating budget with DNR concurrence for many years. The district used to be able to allocate approximately 20% of its operating budget through interest earnings. Interest earnings collapsed after 2008. As a result, interest allocation currently is only sufficient to provide approximately 10% of the overall district operations budget. Interest accrues throughout the year. The district denotes the interest allocated when it submits its annual operating budget, which has been accepted by DNR for many years. Interest earnings continue to accrue after that time for the next operations cycle. If interest earnings ever increase, the allocation into operations could also be increased.

District carryover from grants that are completed or closed during the year accumulate throughout the year. Available funds are allocated during the district grant review and approval process that happens in January each year. These are included on the annual grant forms the district provides to DNR, which have been accepted by DNR for many years.

The district executive board maintains responsibility for the allocation of district interest and carryover resources. DNR has accepted these ongoing practices for many years. The district is not proposing any changes at this time. The district also understands that recent

legislative changes further clarify that the district executive board is the one to make the determination of these allocations. The district intends to continue current practices and annual schedule, including ongoing notifications to DNR, and will continue to work collaboratively to streamline procedures as appropriate to reduce administrative red tape. Notification and information for district grant interest and carryover will continue to be provided to DNR on a quarterly basis."

SWMP Response:

SWMP agrees with the auditor's recommendation.

SWMP Recommendation:

The District must ensure at the end of the District's fiscal year, any District carryover funds and interest income in excess of twenty thousand dollars (\$20,000) shall be allocated for projects other than District operations in the District's next request for project proposals in accordance with section 260.335, RSMo, unless explicitly approved by the Department. The expenditure of interest income, like other grant expenditures, must be reported to the SWMP quarterly on forms provided by the SWMP. Expenditure of interest income earned on District grant agreement funds must be in compliance with 10 CSR 80-9.050.

4. Annual District Financial Audit Not Timely Submitted

Auditor Recommendation:

We recommend the district implement procedures to ensure the required district financial audit is timely conducted and the required audit report is submitted to the DNR prior to the deadline as stated in the rules and regulations.

District Response:

The district stated, "The district completes its annual independent financial audit in the same time period every year. The district accountant did not submit the report to DNR as has usually happened. This was a simple oversight. Forwarding of the approved audit reports to DNR has now been specifically assigned to district staff position to prevent future oversights. "

SWMP Response:

SWMP agrees with the auditor's recommendation regarding submittal and completeness of reports.

SWMP Recommendation:

The District shall submit the audit or monitoring reports within one hundred eighty (180) of the close of the District's fiscal year. The executive board shall address all deficiencies identified in a District's audit to the satisfaction of the SWMP.

5. Quarterly Project Financial Summary Reports Not Timely Submitted

Auditor Recommendation:

We recommend the District implement procedures to ensure quarterly project financial summary reports are submitted timely to the DNR or an extension is requested from the DNR when the district is unable to provide reports in a timely manner.

District Response:

It has been commonly understood that current reporting requirements are highly excessive. Excessive reporting costs tens and tens of thousands of dollars a year in excessive administrative expenses for the district and grantees, as well as DNR. The district has been working to reduce excessive reporting since 2012 and earlier. Continued compliance with the existing excessive reporting requirements and schedules will require regular routine extensions in order to comply. The district makes these extension requests on a regular basis, and will continue to do so as needed. The District notes that a simple change from quarterly reports to semi-annual reports would remedy much of the bottleneck. The district restates its request to reduce red tape by reducing the reporting requirements that incur additional unnecessary expense for the district and District grantees. Excessive reporting drives away potential grant applicants, diverts staff attention away from other activities, and has other negative impacts. Moving from quarterly to semi-annual reporting is one to the best streamlining opportunities that can reduce red tape.

SWMP Response:

SWMP agrees with the auditor's recommendation regarding submittal and completeness of reports.

SWMP Recommendation:

In accordance with the current regulations, the District shall submit District and District Subgrantee information within thirty (30) days after the end of each state fiscal year quarter for accountability; transparency of public funds is imperative, and the District must comply with the regulatory parameters established pursuant to this issue. The executive board shall retain all records and supporting documents directly related to the funds and projects for a period of three (3) years from the date of submission.

6. Project Period Extended Without Prior DNR Approval

Auditor Recommendation:

We recommend the district implement procedures to ensure projects that remain open beyond two years and six months have received prior approval to extend the project period from the executive board and the SWMP.

District Response:

The district stated, "The district initiated the amendment process for Project 2013019 in accordance with normal procedures. However, the district determined that an amendment was not needed for this project since no additional reimbursable project

activity would be occurring. The district did not rescind the first step in the process that had been completed, but determined that the amendment was not needed. The amendment process ceased when that determination was made. The district was simply waiting for final project reporting to release the final 15% withholding. The district will continue to follow the established extension procedures for projects that would have additional reimbursable expenses incurred after a project period would be set to expire.”

SWMP Response:

SWMP agrees with the auditor’s recommendation.

SWMP Recommendation:

Any extension of the project or budget periods beyond two (2) years and six (6) months must have the prior approval of the executive board and the Department.

7. Identification of DNR as a Funding Source Not Included on Printed Materials

Auditor Recommendation:

We recommend the district implement procedures to ensure publications and printed materials properly identify DNR as a funding source when applicable.

District Response:

The district stated, “The district does not directly print or place ads in the Healthy Planet. The district has provided an opportunity to grantees and others to provide some brief information about their programs for the Earth Day and America Recycles Day editions of the Healthy Planet. This information is provided by programs to the Healthy Planet. The district does not write or prepare the articles directly. The district currently require grantees to include the funding provided by DNR language and logo on all grantee publications paid for with district funds. The district will continue to require this for grants and any district publications until this issue can be addressed through the red tape reduction process.

The district has identified this as a red tape streamlining opportunity, since no DNR funds are used in these publications. District funds are not DNR funds, and it is inaccurate to require labeling that says it is DNR funds. It has created unnecessary red tape. Recent expansion of this requirement to require DNR approval of all content has created another administrative bottleneck that has become quite frustrating and time-consuming for districts across Missouri. The district has not been providing content, and no funding acknowledgement language has been included for either the district or DNR. District funded publications and grant funded publications will continue to include the DNR logo while streamlining efforts are underway regarding this opportunity to reduce red tape.”

SWMP Response:

SWMP agrees with the auditor’s recommendation.

SWMP Recommendation:

Per the applicable General Terms and Conditions in place at the time of the grant review, the following guidance was relevant. The District must ensure that the District or District's subgrantee shall submit to the SWMP and the District two (2) draft copies of each publication and other printed materials, which are intended for distribution and are financed, wholly or in part, by SWMP monies.

The Department is currently reviewing several of its logo usage policies for proper updates. Further guidance will be provided in the near future.