



Matt Blunt, Governor • Doyle Childers, Director

## DEPARTMENT OF NATURAL RESOURCES

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FEB 23 2006

Mr. Bob Wagner  
St. Louis - Jefferson Solid Waste Management District  
7052 Kingsbury  
University City, MO 63130

Dear Mr. Wagner:

Please find enclosed the Missouri State Auditor's Office (SAO) report on the Solid Waste Management Program's district grant activities and the operations of four solid waste management districts. Your district was selected for review by the auditors during their fieldwork and their report contains findings related to the operations of your district. We need to work together to ensure that all of the SAO audit findings are resolved. While the auditors report indicates problems, this can also be viewed as an opportunity to improve our management of grant funds.

The enclosed SAO report identifies the findings related to your district:

### 3. District Administrative Expenditures

Some administrative expenditures appear unnecessary and inappropriate.

- A. District approved up to \$6,000 for a mural painted on a conference room wall. The district rents the office space. Bids were not solicited. District purchased \$4,125 during 2003 through 2005 of other artwork.
- B. District spent \$1,871 on books during fiscal years 2004 and 2005. Several invoices did not indicate that the books were clearly related to solid waste and recycling, and the amount spent on books appears unreasonable.
- C. District incurred expenditures of \$782 for gifts, meals, and memorial donations for board members and employees.
- D. District spent \$41,523 for the services of a lobbyist during the three years ended June 30, 2005. Although district officials indicated the lobbyist was paid only from funds received from cities and counties, the district did not have records to support this.

### 4. District Fund Balances

District is maintaining a large fund balance. District had a fund balance of \$4.5 million as of April 30, 2005. Of this amount, approximately \$2 million was encumbered for grants with some grants awarded as far back as 1999. The remaining \$2.5 million is comprised of unspent administrative funds (\$1.4 million) and interest earned (\$1.1 million).

#### 5. District Subgrantee Procedures

- A. District did not always have current financial assistance agreements for all subgrantees with open grants.
- C. District made a \$24,633 payment to a vendor directly for vehicle purchased by a subgrantee rather than reimbursing the subgrantee.
- E. District reimbursed subgrantees for grant expenses prior to receiving quarterly reports from the subgrantees.

Please review the findings and respond to me by providing your district's plans to address each finding. The district's plans need to be discussed and approved by the district's Executive Board during open meeting and minutes from the meeting submitted to the department with your responses.

Until all findings are resolved, the department is suspending any further allocation of solid waste management funds to your district in accordance with statute (RSMo 260.335 5), rule (CSR 80-9.050 (1)(C) 5 and (4)(F) and (6)(E)), and Special Terms and Conditions (items 6 and 8). I hope we can quickly resolve these issues so that we can move forward in our efforts to encourage waste reduction, reuse, recycling, and proper disposal.

In another matter, Mr. Dave Berger submitted a copy of the districts signed FY2006 department/district Financial Assistance Agreement that we received December 27, 2005. Previously, the district's chairperson had signed the agreement, but Mr. Berger informed the department that the district signed the agreement using a previous version of the Special Terms and Conditions. Specifically, Mr. Berger informed us that the district signed the agreement without item fifteen of the Special Terms and Conditions, which limits district project periods to two years. As a result, the agreement was mailed back to the district until the board could approve the agreement with the current version of the Special Terms and Conditions. The copy of the agreement that we received December 27, 2005, is dated May 31, 2005. The department would like to verify that the district's executive board is agreeing to follow the current Special Terms and Conditions (enclosed), including item fifteen.

The department has also received Quarterly Project Financial Summary forms for the period July 1, 2005, through September 30, 2005. On the final page of the report the district lists projects funded with interest income. These projects, however, do not appear to have ever been submitted to the department for approval. All expenditures of interest income for department solid waste management grant funds must meet the requirements in statute, rule, the department's General Terms and Conditions, the department's Special Terms and Conditions and the department's grant guidance document. Funding projects without the approval of the department does not meet these requirements. Please describe the process the district followed selecting and awarding these projects including if and when the projects were submitted to the department for approval.

The last page of the Quarterly Project Financial Summary form also lists "Unrestricted Interest" of \$366,504.08. Mr. Berger's email to Kim Tschirgi dated December 22, 2005, states that the form "includes the interest we have accrued over 13 years from other sources besides grant funds". Please provide a complete accounting of how this interest was accumulated – by year show who provided the other sources of funds, the dollar amount of the other sources, dates the other sources were received, the dates the other sources were expended, and the interest accrued on the other sources that year. This information is needed to determine if these are local or state funds.

Mr. Wagner  
Page Three

If you have any questions please contact Jim Hull at phone (573) 751-5401 or in writing at Solid Waste Management Program, P.O. Box 176, Jefferson City, Missouri 65102.

Thank you for your cooperation.

Sincerely,

DEPARTMENT OF NATURAL RESOURCES



Doyle Childers  
Director

DC:pmk

Enclosure

c: Senator Harry Kennedy, Missouri Senate  
Senator Kevin Engler, Missouri Senate  
Senator Pat Dougherty, Missouri Senate  
Senator Maida Coleman, Missouri Senate  
Senator John William Loudon, Missouri Senate  
Senator Timothy P. Green, Missouri Senate  
Senator Rita Heard Days, Missouri Senate  
Senator Michael R. Gibbons, Missouri Senate  
Senator Bill Alter, Missouri Senate  
Senator Chuck Gross, Missouri Senate  
Senator Joan Bray, Missouri Senate  
Senator John E. Griesheimer, Missouri Senate  
Representative Sherman Parker, Missouri House of Representatives  
Representative Scott T. Rupp, Missouri House of Representatives  
Representative Joe Smith, Missouri House of Representatives  
Representative Sally Faith, Missouri House of Representatives  
Representative Carl Bearden, Missouri House of Representatives  
Representative Vicki Schneider, Missouri House of Representatives  
Representative Tom Dempsey, Missouri House of Representatives  
Representative Cynthia Davis, Missouri House of Representatives  
Representative Yaphett S. El-Amin, Missouri House of Representatives  
Representative Rodney R. Hubbard, Missouri House of Representatives  
Representative Jeanette Mott Oxford, Missouri House of Representatives  
Representative Amber (Holly) Boykins, Missouri House of Representatives  
Representative Connie "LaJoyce" Johnson, Missouri House of Representatives  
Representative Robin Wright Jones, Missouri House of Representatives  
Representative Rachel Storch, Missouri House of Representatives  
Representative Fred Kratky, Missouri House of Representatives  
Representative Michael Vogt, Missouri House of Representatives