

**INDEPENDENT AUDITORS' REPORT**

**To the State of Missouri  
DEPARTMENT OF NATURAL RESOURCES**

**Based on a Performance Audit of the  
SOUTHWEST MISSOURI  
SOLID WASTE MANAGEMENT DISTRICT – REGION N**

**Monett, Missouri**

**FOR THE YEARS ENDED  
DECEMBER 31, 2016 and 2017**

**TABLE OF CONTENTS**

Independent Auditors' Report..... 1

Management Advisory Report:

    History and Organization ..... 3

    Findings and Recommendations ..... 5

Schedules:

    A. Executive Board, 2016 and 2017 ..... 7

    B. Advisory Committee, 2016 and 2017 ..... 8

    C. Schedule of State Funding – Cash Basis ..... 9



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## INDEPENDENT AUDITORS' REPORT

To the Missouri Department of Natural Resources  
Jefferson City, Missouri and the Southwest Missouri  
Solid Waste Management District – Region N  
Monett, Missouri

The Missouri Department of Natural Resources (DNR), Soil and Water Conservation Program is responsible for administering the policies and programs developed by the Solid Waste Management Program. The DNR provides funding to solid waste management districts in the State of Missouri to ensure solid waste is managed in such a way that protects both public health and the environment. We have completed a performance audit of the activities of the Southwest Missouri Solid Waste Management District – Region N's (District) compliance with state laws, regulations and policies. The procedures were conducted pursuant to the authority of the DNR.

The objective of our audit was: (a) to determine the district, council, executive board, advisory committee or alternative management structure were organized properly and in accordance with the Revised Statutes of Missouri; (b) to determine the duties of the council and executive board or alternative management structure have been carried out as specified in the Revised Statutes of Missouri; (c) to determine internal controls were adequate and functioning properly at the District; (d) to determine the District was in compliance with laws, regulations, financial assistance agreements, solid waste plans, policies and procedures; (e) to determine all receipts, disbursements and cash balances were accurately and timely reported in the District's quarterly and final financial reports and other accounting records; (f) to determine expenditures by the district from advancements and reimbursements made by the district to their subgrantees were made for allowable and eligible costs; (g) to determine whether the district grant funds were awarded to subgrantees or placed under contract properly and to review grant/contract management and monitoring of subgrantees and contractors; and (h) to determine the subgrant project effectively met its goal of diverting waste from landfills or providing environmental education and to determine the per unit cost.

The scope of our audit of the Southwest Missouri Solid Waste Management District – Region N was for the two years ended December 31, 2016 and 2017.

Our methodology included observation of the District's operations; interviewing various personnel of the District, as well as certain external parties; reviewing financial records and other pertinent documents; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal and compliance provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of the District's contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. Our audit procedures were conducted on October 17 and 18, 2018.

We conducted this performance audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States (generally accepted government auditing standards). Those standards require we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

During our audit we identified deficiencies in internal controls and noncompliance with contract provisions. The accompanying findings, conclusions and recommendations relate to compliance with contract provisions and Missouri statutes and do not provide a legal determination with regard to those requirements.

The District's written responses to the findings identified in this report have not been audited and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management and others within the Southwest Missouri Solid Waste Management District – Region N and the Missouri Department of Natural Resources, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*DSWA Certified Public Accountants, P.C.*

DSWA Certified Public Accountants, PC  
December 19, 2018

**MISSOURI DEPARTMENT OF NATURAL RESOURCES  
SOUTHWEST MISSOURI  
SOLID WASTE MANAGEMENT DISTRICT – REGION N  
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 plan. Plans 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 prevention and remediation of illegal dumps. To help achieve their goals, districts administer grants to public and private entities within their district, made possible with monies from the Solid Waste Management Fund (SWMF) through the Solid Waste Management Program (SWMP) of the Missouri Department of Natural Resources (DNR).

The Southwest Missouri Solid Waste Management District – Region N (the District) was formed pursuant to RSMo. 260.305 and was officially recognized by DNR in February 1992. The District is located in Southwest Missouri and includes Barry, Dade, Lawrence, Stone and Taney counties and the cities within these counties with populations of 500 or more. 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 five 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's management structure is comprised of an Executive Board consisting of 11 members. District bylaws require all officers of the Executive Board to be elected annually.

**Executive Board:**

- Scott Starrett, Chairman
- Wayne Hendrix, Vice Chairman
- Sam Goodman, Treasurer
- Sheila Wyatt, Member
- Dallas Maxwell, Member
- Mark Maples, Member
- Kim Morrison, Member
- Mona Menezes, Member
- Denise Dickens, Member
- Carolyn Easley, Member
- Jon Holmes, Member

**MISSOURI DEPARTMENT OF NATURAL RESOURCES  
SOUTHWEST MISSOURI  
SOLID WASTE MANAGEMENT DISTRICT – REGION N  
HISTORY AND ORGANIZATION (Continued)**

The terms for Executive Board members are two years, with no term limit. No more than three city representatives on the Board may be from any one county. Schedule A of this report lists the members of the Executive Boards for the years 2016 and 2017.

Annually, the District appoints a geographically balanced advisory committee composed of representatives of commercial waste generators, representatives of the solid waste management industry, and two public members unaffiliated with a solid waste facility or operation. Schedule B of this report lists the participants in the Advisory Committee for the years 2016 and 2017.

The District is funded by solid waste tonnage fees collected by DNR and program revenues.

**MISSOURI DEPARTMENT OF NATURAL RESOURCES  
SOUTHWEST MISSOURI  
SOLID WASTE MANAGEMENT DISTRICT – REGION N  
FINDINGS AND RECOMMENDATIONS**

**1. Inadequate Segregation of Duties**

Condition: The functions of recording, disbursing and reconciling District funds are performed by the same employee.

Criteria: Section I.I.3 of the SWMP General Terms and Conditions requires effective internal controls to prevent loss or misuse and accountability must be maintained for all District and subgrantee cash, property, and other assets.

Effect: Controls are weakened when one person is responsible for the functions above. Without proper segregation of duties, the risk increases that errors and fraud related to cash transactions could occur and not be detected within a timely basis.

Cause: Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties, so no one employee has access to both physical assets and the related accounting records or to all phases of a transaction.

Recommendation: Effective segregation of duties in a small governmental environment is often difficult; however, the governing body and District management should be aware of the risk associated with this lack of duty segregation and attempt to exercise as much oversight control in these areas as possible and feasible. We recommend involving Board members in oversight functions to minimize segregation of duties issues.

Auditee's Response: *The District has put in place procedures to help prevent segregation issues. All employee timesheets are approved and signed by a Board member. All Board members receive a copy of the bank statements and the bank reconciliations in their Board meeting packets and are reviewed and approved at the District's Executive Board meetings. The District Treasurer reviews, approves, and signs all bank reconciliations.*

**MISSOURI DEPARTMENT OF NATURAL RESOURCES  
SOUTHWEST MISSOURI  
SOLID WASTE MANAGEMENT DISTRICT – REGION N  
FINDINGS AND RECOMMENDATIONS (continued)**

**2. Cash Disbursement Procedures**

Condition: Supporting documents for expenditures, such as invoices and statements, were not marked as paid.

Criteria: Section I.1.3 of the SWMP General Terms and Conditions requires effective controls and proper internal control procedures include the marking of invoices and statements as paid to prevent possible duplicate payment.

Effect: Although no instances were found, duplicate payment could be made on invoices or statements.

Cause: Oversight by the District.

Recommendation: We recommend the purchase of a stamp that says "Paid" and all invoices stamped paid and marked with the check number and date.

Auditee's Response: *The District will stamp "PAID" on all paid invoices and also include the check number and date paid.*

**MISSOURI DEPARTMENT OF NATURAL RESOURCES  
SOUTHWEST MISSOURI  
SOLID WASTE MANAGEMENT DISTRICT – REGION N  
SCHEDULE A**

**EXECUTIVE BOARDS  
2016 and 2017**

<b>Executive Board Member</b>	<b>Representing</b>	<b>2016</b>	<b>2017</b>
Wayne Hendrix	Barry County		X
Carolyn Easley	Barry County	X	X
Kim Morrison	Dade County	X	X
Dallas Maxwell	Dade County	X	X
Sam Goodman	Lawrence County	X	X
Linda Barton	Lawrence County	X	
Jon Holmes	Lawrence County		X
Mark Maples	Stone County	X	X
Gary Lomax	Stone County	X	
Denise Dickens	Stone County		X
Mona Menezes	Taney County	X	X
Danny Strahan	Taney County	X	
Sheila Wyatt	Taney County		X

**MISSOURI DEPARTMENT OF NATURAL RESOURCES  
SOUTHWEST MISSOURI  
SOLID WASTE MANAGEMENT DISTRICT – REGION N  
SCHEDULE B**

**ADVISORY COMMITTEE  
2016 and 2017**

<b>Advisory Committee Members</b>	<b>Representing</b>	<b>2016</b>	<b>2017</b>
Sue Noel	Silver Dollar City	X	X
Paul Carter	Ēfco Corporation	X	
Gary Lomax	Kimberling City	X	
Scott Starrett	Taney County Zoning	X	X
Betty Fier	Village of Indian Point	X	X
Greg Fier	Village of Indian Point	X	X
Like Westerman	Computer Recycling Center	X	X
Stacy Runnels	All Points Recycling	X	X
Leslie Smith	All Points Recycling	X	
Denise Dickens	Stone County Commission	X	
Tom Goodmanson	Tantone Industries, Inc.	X	
Max Lytle	Tantone Industries, Inc.	X	
Natalie Mosely	Region N Planner	X	
Mike Walker	Hansen's Tree Service		X

**SOUTHWEST MISSOURI SOLID WASTE MANAGEMENT DISTRICT - REGION N**  
**SCHEDULE C - SCHEDULE OF STATE FUNDING - CASH BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2017**

Grant Number	Project Name	Program Award	Carryover Funds Obligated	Total Program Funding	Total Program Disbursements	Deobligated Funds	Grant Balance - Obligated Funds
2016-01	District Operations	\$ 47,500	\$ -	\$ 47,500	\$ 46,083	\$ -	\$ 1,417
2016-02	District N Education Program	2,970	-	2,970	2,970	-	-
2016-03	Hansen's Tree Service Clearspan Building	5,469	-	5,469	5,469	-	-
2016-04	Purdy School District Loading Ramp	6,374	-	6,374	6,374	-	-
2016-05	City of Aurora Electronic Recycling Events	6,930	-	6,930	6,359	-	571
2016-06	Earthwise Recycling Center 2 Balers	16,300	-	16,300	16,281	-	19
2016-07	All Points Recycling Center Semi-tractor	18,052	-	18,052	18,052	-	-
2017-01	District Operations	47,500	-	47,500	47,241	-	259
2017-02	District N Education Program	2,970	-	2,970	-	-	2,970
2017-03	City of Pierce City Recycling Expansion	645	-	645	-	-	645
2017-04	Stone County 2017 MORA Conference	750	-	750	727	-	23
2017-05	City of Crane Fall Electronics Collecton	4,526	-	4,526	-	-	4,526
2017-06	City of Branson Recycling Bin Lifter	7,759	-	7,759	7,759	-	-
2017-07	All Points Recycling Center Vertical Baler	8,118	-	8,118	8,118	-	-
2017-08	Computer Recycling Center Electronic Collection Bins	10,568	-	10,568	-	-	10,568
		<u>\$ 186,431</u>	<u>\$ -</u>	<u>\$ 186,431</u>	<u>\$ 165,433</u>	<u>\$ -</u>	<u>\$ 20,998</u>
							1,307
							9,732
							373
							<u>\$ 32,410</u>