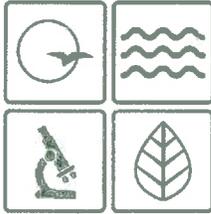


Missouri Department of Natural Resources  
Internal Audit Report No. 19-15  
Region C – Northeast  
Solid Waste Management District  
April 10, 2019

Prepared for  
Ed Galbraith, Director  
Division of Environmental Quality

Prepared by  
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# NATURAL RESOURCES

Michael L. Parson, Governor

Carol S. Comer, Director

## MEMORANDUM

**DATE:** April 10, 2019

**TO:** Ed Galbraith, Director  
Division of Environmental Quality

**FROM:** Cindy Luebbering, Acting Director *Cindy*  
Division of Administrative Support

**SUBJECT:** Final Audit Report – Region C – Northeast Solid Waste Management District

Internal Audit conducted an audit of Region C – Northeast Solid Waste Management District. The performance audit consisted of reviewing the internal controls of the district for July 1, 2015, through June 30, 2017. Conclusions and recommendations are included in the report for the following:

1. Bank Statement Reconciliations
2. Conflict of Interest Disclosure Forms
3. Missouri Sunshine Law
4. Prior Audit Follow-up

Please let me know if you have questions and/or concerns.

CL/as

c: Office of the Director  
Scott Stacey, Legal Counsel  
Carey Bridges, Division of Environmental Quality  
Deanne Boland, Division of Environmental Quality  
Chris Nagel, Division of Environmental Quality  
Rick Kempker, Division of Environmental Quality  
Lucinda Clubb, Region C – Northeast Solid Waste Management District  
Region C- Northeast Solid Waste Management District Executive Board

## Executive Summary

### Background

The Missouri Department of Natural Resources, Waste Management Program is responsible for administering the policies and programs developed to ensure solid waste is managed in such a way that protects both public health and the environment. The Department provides funding to the Solid Waste Management Districts (SWMDs) for operations and for community-based waste reduction, reuse, composting, and recycling projects.

Missouri's 20 SWMDs 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 should include provisions for a range of solid waste activities: waste reductions 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 preventative or remediation of illegal dumps. To help achieve their goals, SWMDs administer sub-grants to public and private entities within their SWMD with monies received from the Solid Waste Management Fund.

The Region C – Northeast Solid Waste Management District (Region C SWMD) was formed pursuant to Section 260.305, RSMo, and was officially recognized by the Department in December 1992. The SWMD is comprised of the following Missouri counties: Adair, Clark, Lewis, Knox Schuyler, and Scotland counties. Participation in the SWMD is voluntary and is formally established through a resolution of adoption filed with the SWMD office by the member governments. The purpose is to develop and improve efforts to reduce the amount of solid waste generated and disposed of in a six county region as set forth in Chapter 260, RSMo. The SWMD will make recommendations and suggestions relating to solid waste collection, storage, transportation, remanufacture, and disposal. The SWMD also intends to promote local problem solving and autonomy in solid waste management systems.

### **Region C – Northeast Sub-grants**

Fiscal Year	Amount	Number of Projects Awarded
2016	\$ 38,688.00	1
2017	\$ 152,389.19	7
Total	\$ 191,077.19	8

The SWMD has an administrative contract with Northeast Regional Planning Commission. Region C SWMD's management structure is comprised of a Management Council consisting of 23 members and an Executive Board consisting of 17 members. The Management Council is comprised of two elected representatives from each county and one elected representative from each city with a population over 500. The Executive Board is comprised of one member of each County Commission and one Mayor or City Council member from each city with a population of

500 in each county, and the nonvoting Northeast Regional Planning Commission. Terms of representatives shall be two years, which can be recertified by their appointing authorities at the end of their term.

### Objectives

The audit objectives were to:

- Determine the district, council, executive board, advisory committee or alternative management were organized properly and in accordance with state law.
- Determine the duties of the council and executive board or alternative management structure have been carried out as specified in state law.
- Review the district's internal controls for accounting and financial matters, safeguarding assets, sub-grantees, and compliance with laws, financial assistance agreements, solid waste plans, policies, and procedures.
- Determine the district was in compliance with laws, regulations, financial assistance agreements, solid waste plans, policies, and procedures.
- Determine the quarterly and final reports submitted to the Waste Management Program were presented accurately and in accordance with guidelines.
- Determine expenditures from the SWMD were made from allowable and eligible costs.
- Determine the SWMD grant funds were awarded to sub-grantees or placed under contract properly and to review grant/contract management and monitoring of sub-grantees and contractors.
- Determine the SWMD secured assets of the District including the sub-grantee's equipment, buildings, and site improvements.
- Determine the sub-grant project effectively met its goal of diverting waste from landfills or providing environmental education and to determine cost per unit (tons of waste diverted or per student).
- Follow-up on prior audit recommendations, if needed.

### Scope and Methodology

The scope of the performance audit was for two fiscal years ending June 30, 2017. Fieldwork was completed on February 25, 2019, through February 27, 2019.

Our methodology included reviewing the organization of the District, minutes of meetings, written policies and procedures, records, and quarterly and final reports; interviewing District personnel, evaluating internal controls; and evaluating and inspecting grant projects. Our audit procedures and objectives were set forth in the Missouri Department of Natural Resources, Solid Waste Management District Audit Program.

The audit was conducted in accordance with the standards applicable to performance audits contained in the *Government Auditing Standards*. Those standards require the audit be planned and performed to obtain sufficient, appropriate evidence, and a reasonable basis for our conclusions and recommendations. The evidence obtained provides such a basis.

## Conclusions and Recommendations

The Department is responsible for ensuring the SWMDs are in compliance with grant terms and conditions, policies and procedures, and with state and federal laws. The Department's internal audit process provides management reasonable assurances on the SWMD's compliance and on the accuracy of their reporting.

The organization, receipts and disbursements, personnel/payroll, inventory, administrative services contract, general terms and conditions, grants, and sub-grants substantially complied. We found improvement needed in the bank reconciliations, conflict of interest disclosure forms, and Missouri Sunshine Law.

A schedule of sub-grant awards is included at the end of the report as Attachment 1.

### 1. Bank Reconciliations

The General Terms and Conditions requires effective controls to prevent loss or misuse and accountability be maintained for all district and district sub-grantee cash, real, and personal property, and other assets.

Our review of the bank reconciliation process and bank reconciliations prepared noted the following concerns:

- a. There is a lack of segregation of duties in the monthly bank reconciliation process. Bank reconciliations are complete by same person responsible for making payments.
- b. The monthly bank reconciliations were initialed to note who completed this process but not dated to note when the reconciliations were completed.
- c. The board does not review monthly bank statements or reconciliations. A financial report was generated from the district's accounting system and is approved during board meetings in lieu of reviewing the monthly bank reconciliations.

Segregating the bank reconciliation and payment process and having supervisory review of the bank reconciliation process will reduce the risks of misstatements and fraud.

**Recommendation:** The district must:

- a. Ensure someone independent of the payment process is completing the monthly bank reconciliations.
- b. Ensure the monthly bank reconciliations are reviewed and approved by the board.
- c. Ensure the monthly bank reconciliations and reviews are consistently notated with initials and dates.

**Response:** We agree with the recommendation. We will split the payment process and reconciliation duties to the best of our ability. We will sign the bank reconciliations during board meetings to note our review was completed.

## 2. Conflict of Interest Disclosure Forms

10 CSR 80-9.050 (7) (C), solid waste district grant rule requires the board adopt a conflict of interest policy regarding grants to sub-grantees. Board members are required by the district's conflict of interest policy to sign the policy and disclose if they have any potential conflicts of interest.

Through our review of the signed conflict of interest disclosure forms we found these were not consistently completed and signed each year by all board and council members.

- a. Five board members and ten council members had not completed and signed conflict of interest disclosure forms. Three council members had not completed and signed a conflict of interest disclosure form since 2012. Eight council members had not completed and signed a conflict of interest disclosure form since 2017.
- b. State laws specific to the approval of district sub-grants should be included in the conflict of interest disclosure forms and policy.
  - a. Section 260.324, RSMo, regarding members not approving their own sub-grants.
  - b. Section 260.320 (5), RSMo, regarding board members not being allowed to serve if they have a pecuniary interest in a solid waste regulated (permitted) facility.

Following the established conflict of interest policy ensures the district is in compliance with the solid waste management district grant rule. Including the above-mentioned state law references will ensure the board is fully aware of their responsibility and liability regarding conflict of interest.

**Recommendation:** The district must ensure:

- a. The conflict of interest policy is consistently followed.
- b. The conflict of interest disclosure forms are completed and signed annually by all board and council members.
- c. The above-mentioned state law references are included in the conflict of interest policy and disclosure forms.

**Response:** We agree with the recommendations. The conflict of interest policy will be consistently followed. We printed and signed new conflict of interest forms during a board meeting.

## 3. Missouri Sunshine Law

The Missouri Sunshine Law sets out the requirements that meetings, records, and deliberations of public governmental bodies be open to the public unless otherwise provided by law. The Missouri Sunshine Law governs only state, local, and quasi-governmental bodies.

The Missouri Sunshine Law compliance checklist was used to review a sample of five board meeting minutes; two from each fiscal year of the audit period and one from the current period. Through our review, the following was found:

- a. One of the meeting minutes reviewed did not include the address of the meeting location.

- b. One of the meeting minutes reviewed did not include the time the meeting was opened.
- c. Five of the meeting minutes reviewed did not include the time the meeting was adjourned.
- d. None of the meeting minutes reviewed included the time and location of the next meeting.
- e. None of meeting minutes reviewed did not notate when the meeting notice was posted.

The Missouri Sunshine Law requires the address of meeting locations, time meetings are opened and adjourned, time and location of subsequent meetings, and the date meeting notices are posted to be notated.

Following the Missouri Sunshine Law requirements will ensure the district is in compliance.

**Recommendation:** The district must ensure:

- a. The address of meeting locations are included in the meeting minutes.
- b. The time meetings are opened and adjourned are included in the meeting minutes.
- c. The time and location of subsequent meetings are included in the meeting minutes.
- d. The date meeting notices are posted are notated.

**Response:** We agree with the recommendation. For future meetings, the abovementioned items will be included in the agenda and minutes.

#### **4. Status of Prior Audit Recommendations**

We reviewed the prior audit report for FY 2006 – FY 2007 issued on August 25, 2008. All seven prior audit recommendations were implemented. This district is not currently subject to a financial statement audit.

### Attachment 1 – Schedule of Sub-grant Awards as of June 30, 2017

Sub-grant No.	Description	Allocated/ Awarded	Disbursed to District	Carry-over	Program Income/Interest	Unspent Funds
C2015-002	City of Kirksville Glass - Recycling Program	\$18,184.80	\$18,184.80	\$13,761.79	\$3,053.41	\$35,000.00
C2015-003	Industrial Opportunities, Inc. - Curbside Recycling	\$33,327.00	\$33,327.00			\$23,222.96
C2016-001	FY 2016 District Operations	\$38,668.00	\$38,668.00			\$0.00
C2017-001	FY 2017 District Operations	\$38,648.00	\$38,648.00		\$3,375.00	\$15,485.46
C2017-002	Community Opportunities - Recycling Built Trucks	\$4,425.00	\$4,425.00			\$663.75
C2017-003	City of Memphis - Curbside Recycling	\$19,890.83	\$19,890.83	\$12,446.77	\$2,662.40	\$35,000.00
C2017-004	City of Canton - Loading Ramp	\$15,153.36	\$15,153.36			\$15,153.36
C2017-005	City of Canton - Material Moving Equipment	\$24,272.00	\$24,272.00			\$24,272.00
C2017-006	City of Kirksville - Recycled Content Tables	\$22,163.00	\$22,163.00			\$22,163.00
C2017-007	City of Kirksville - Glass Totes	\$27,837.00	\$27,837.00			\$27,837.00
	Sub-Total	\$242,568.99	\$242,568.99	\$26,208.56	\$9,090.81	\$198,797.53
					Interest Income	\$21,018.98
					Unobligated Carry-over	\$3,938.53
					Cash Balance	\$223,755.04

Source: The schedule presented in this report was taken directly from the District financial system reports, quarterly reports, and projects by region reports.