



**Thomas A. Schweich**  
Missouri State Auditor

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## NATURAL RESOURCES

# Soil and Water Conservation Program

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February 2012  
Report No. 2012-07



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**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of the Department of Natural Resources, Soil and Water Conservation Program

**Oversight of District Activities** The Department of Natural Resources (DNR), Soil and Water Conservation Program (SWCP) needs to improve its procedures for reviewing and monitoring operations of Soil and Water Conservation Districts. The SWCP did not document its review of district board minutes. The districts did not adequately document project approvals in board minutes as required by SWCP policy, and several of the districts did not properly document the reasons and votes for going into closed sessions.

The SWCP did not adequately monitor district administrative grant expenditures. The SWCP reviewed district quarterly reports but did not review supporting payroll records, and some districts did not timely submit quarterly reports. The SWCP failed to detect some unallowable expenditures, including meal expenses which exceeded SWCP policy limits, meal reimbursements when the conference attended provided meals, and a printer. One district employee was reimbursed for cash prizes given in a youth poster contest, but the documentation did not include the names of the prize winners, as is required by SWCP policy.

SWCP indicated annual district audits cannot be conducted annually as required because of budgetary and staffing constraints, but the process for choosing which districts to audit is not formalized or documented. In addition, the SWCP had not yet provided corrective action plans for the most recently completed audits.

In the areas audited, the overall performance of this entity was **Good**.\*

**American Recovery and Reinvestment Act 2009 (Federal Stimulus)**

The Department of Natural Resources, Soil and Water Conservation Program, did not receive any federal stimulus monies during the audited time period.

\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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# Department of Natural Resources

## Soil and Water Conservation Program

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

Honorable Jeremiah W. (Jay) Nixon, Governor  
and  
Sara Parker-Pauley, Director  
Department of Natural Resources  
and  
Members of the Soil and Water Districts Commission  
and  
Colleen Meredith, Program Director  
Soil and Water Conservation Program  
Jefferson City, Missouri

We have audited certain operations of the Department of Natural Resources Soil and Water Conservation Program in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2011, 2010, and 2009. The objectives of our audit were to:

1. Evaluate the program's internal controls over significant management and financial functions.
2. Evaluate the program's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the program, as well as certain external parties; 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 provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, 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.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the program's management and was not subjected to the procedures applied in our audit of the program.

For the areas audited, we identified (1) deficiencies in internal control, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the Department of Natural Resources Soil and Water Conservation Program.



Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor: Harry J. Otto, CPA  
Director of Audits: John Luetkemeyer, CPA  
Audit Manager: Mark Ruether, CPA  
In-Charge Auditor: Kelly Davis, M.Acct., CPA, CFE  
Audit Staff: Travis Owens, MBA, CFE  
James M. Applegate, MBA  
Kimberly Shepard

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# Department of Natural Resources

## Soil and Water Conservation Program

### Management Advisory Report - State Auditor's Findings

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#### **1. Oversight of District Activities**

The Department of Natural Resources (DNR) Soil and Water Conservation Program (SWCP) procedures for reviewing and monitoring operations of Soil and Water Conservation Districts need improvement. The SWCP provides funding for administrative and landowner grants to Missouri's 114 Soil and Water Conservation Districts for various soil and water conservation programs. These grants and SWCP administrative costs are funded by state soils and water sales tax revenues of approximately \$38 million annually.

##### **1.1 Review of district minutes**

SWCP review of district board minutes for compliance with landowner grant and closed meeting requirements needs improvement. District boards meet monthly to approve and monitor landowner cost-share grant projects and to oversee district operations. Board meetings are subject to Sunshine Law requirements and meeting minutes are prepared by each district. SWCP personnel review the minutes to ensure state-funded district operations comply with various requirements. While SWCP personnel indicated all submitted district minutes are reviewed and follow-up is performed on concerns noted, they did not document these reviews. As a result, it is difficult to determine whether non-compliance with cost-share project or closed meeting requirements were corrected.

##### **Cost-share project approval**

Our review of cost-share projects noted various districts did not adequately document required project approvals in board minutes. To receive cost-share grant funding for which project costs are shared by the SWCP and the landowner, an application must be submitted and approved by the district board. Once the project is complete, the district board reviews the reimbursement claim and approves the invoices for state reimbursement by the SWCP. All district approvals are required by SWCP policy to be documented in the district board minutes.

Districts did not document various approvals in board minutes for 12 of the 25 projects reviewed. For eight of these projects, no documentation of the project was included in district minutes provided by the SWCP. For four projects, the minutes stated the district board reviewed and approved cost-share reports, but the SWCP did not request additional documentation of district board approval for these projects.

##### **Closed meetings**

SWCP review of district minutes for compliance with closed meeting requirements also needs improvement. The level of documentation in district open meeting minutes related to closed sessions varied greatly among districts during fiscal years 2010 and 2011, and concerns were noted with minutes maintained by six of ten districts reviewed. Four of the six districts did not document the specific statutory reason for holding closed sessions and three of the six districts did not document the results of votes to go into closed session.



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Section 610.022.1, RSMo, states "The vote of each member of the public governmental body on the question of closing a public meeting or vote and the specific reason for closing that meeting or vote by reference to a specific section of this chapter shall be announced publicly at an open meeting of the governmental body and entered into the minutes." Section 610.021, RSMo requires certain votes taken in closed session to be disclosed in open session.

Without adequate reviews of district minutes, there is an increased risk noncompliance with cost-share approval and closed meeting requirements will go undetected. In addition, reviews of district minutes allow program personnel to be aware of all activities occurring in the districts including personnel changes, expenditure decisions, and other activities related to the sales tax funds.

## 1.2 Administrative grant monitoring

The SWCP does not adequately monitor district administrative grant expenditures. SWCP personnel perform reviews of district quarterly reports of expenditures; however, the SWCP does not review supporting payroll records and some districts did not submit quarterly reports timely. In addition, SWCP reviews did not detect some unallowable costs incurred by the districts. The SWCP provides administrative grants to each district totaling approximately \$11 million annually from the soils and water sales tax monies. These grants are used for administrative expenses such as salaries and benefits, supplies, and travel.

### District payroll

Current monitoring procedures do not include a review of supporting documentation for payroll expenditures. Districts currently report hours worked and pay rates but do not submit timesheets to support the reported payroll hours. In fiscal year 2011, personnel-related expenditures totaled over \$9.5 million, or 82 percent of total administrative grants.

The SWCP is in the process of implementing a new electronic timekeeping system which will provide more timely and detailed records of district employee payroll. SWCP policy prohibits districts from using grant monies for non-SWCP programs, such as non-agricultural federal grants or equipment rental operations. The new system is designed to provide more detailed reporting of time spent on SWCP-related activities and help the SWCP ensure district compliance with grant policies. As of November 2011, 105 districts are using the new system. SWCP personnel expect the remaining districts to be online once technical issues are resolved. While this system will allow the SWCP access to district timekeeping records, there are currently no plans for the SWCP to perform regular or periodic reviews of supporting documentation for district-reported time.

### District expenditures

We reviewed certain district expenditures charged to the administrative grants and noted the following which appear to be unallowable or excessive:



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Management Advisory Report - State Auditor's Finding

- District employees charged meal expenses that exceeded daily limits and were reimbursed for meals when the conferences provided meals. We reviewed expenses at ten districts and noted three districts incurred meal expenses that exceeded amounts allowed by SWCP policy by a total of \$150.
- One district purchased a printer from administration funding which is not allowable under SWCP policy.
- Another district did not provide sufficient documentation to support a \$92 reimbursement to a district employee. The employee used personal funds for prizes in a youth poster contest, but did not document the names of the prize winners. SWCP policy requires at least a listing of prize winners to be submitted to support these payments.

In addition, two districts submitted quarterly expenditure reports 2 to 3 months after the end of the quarter. Currently, SWCP policy requires quarterly reports be submitted within 10 days after the end of the quarter.

Sufficient monitoring procedures, including reviewing payroll timekeeping documentation on at least a test basis, is necessary to ensure administrative grant expenditures are allowable and necessary. Without a review of timekeeping documentation, the SWCP has less assurance districts are accurately reporting time in the new system and payroll expenditures are for allowable activities. Timely submission of district quarterly reports is also necessary to ensure SWCP personnel are able to address errors and make necessary corrections to funding allocations.

### 1.3 District audits

Soil and Water Conservation Districts are not audited annually as required by state law, and while audits are periodically performed, procedures to prioritize the districts to be audited and frequency of audits have not been finalized. In addition, procedures to follow up on audit findings need to be improved.

SWCP personnel indicated annual district audits cannot be performed due to staffing and budgetary constraints. The SWCP and the DNR Internal Audit Program contracted with CPA firms to conduct audits of 27 of the 114 districts in 2010. Prior to this, the last audits of selected districts were performed in 2006. The SWCP and Internal Audit Program currently do not have a formal process to select which districts should be audited and the timing of the audits. The SWCP chose the 27 districts selected for audit in 2010 based on staff suggestions, but this process was not formalized or documented. SWCP officials indicated they are in the process of developing a schedule to ensure all districts are audited every 4 years; however this has not been completed.



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Management Advisory Report - State Auditor's Finding

In addition, upon completion of the most recent audits performed, the SWCP has not provided Internal Audit the requested corrective action plans for audit findings. Corrective action plans were requested as early as February 2011 on completed audits, but had not been received by Internal Audit as of July 2011.

Section 278.110.6, RSMo, requires district finances to be audited annually. Routine audits would provide additional assurance the districts are complying with SWCP requirements. If annual audits cannot be conducted, the SWCP and Internal Audit Program should finalize a plan to ensure audits are conducted periodically for all districts. In addition, follow-up on audit findings is necessary to ensure corrective action is performed in a timely manner.

## Recommendations

The SWCP:

- 1.1 Develop procedures to ensure documentation of minutes reviewed and follow-up on concerns is prepared and retained. These reviews should ensure district board approval of cost-share projects is adequately documented and districts comply with the Sunshine Law regarding closed meetings.
- 1.2 Improve district monitoring procedures to include reviewing supporting documentation for payroll expenditures and ensure administrative expenditures are allowable and reasonable. In addition, the SWCP should ensure quarterly expenditure reports are submitted by the deadline.
- 1.3 Ensure district audits are conducted annually in accordance with state law or develop a plan to ensure audits are conducted periodically for all districts. In addition, corrective action plans for audit findings should be submitted to Internal Audit in a timely manner.

## Auditee's Response

*The Soil and Water Conservation Program provided the following written response:*

- 1.1 *We agree with the recommendation. The SWCP has developed procedures to scan in all district minutes into an electronic file. The SWCP district coordinators will utilize the "District Minute Checklist" to thoroughly review the minutes and provide guidance back to district boards and personnel on deficiencies in the district board's minutes. Special attention will be paid to cost-share documentation, compliance with the Sunshine Law and Treasurers Report. Districts will be required to attach reports from the Missouri Soil and Water Information Management System*



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Management Advisory Report - State Auditor's Finding

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*(MoSWIMS), which will show all actions related to cost-share contracts (approvals, amendments, and payments). A checklist will be used to determine compliance with Sunshine Law requirements. The completed "District Minute Checklist" will be scanned with the minutes documenting the deficiencies and guidance provided to the districts.*

- 1.2 We agree with the recommendation. The SWCP will periodically review information from the new time reporting tool to ensure the time reported on district timesheets correlate to the personnel expenses submitted. The SWCP will develop more specific policies that will provide a defined timeline for submission of the quarterly reports and appropriate follow-up.*
- 1.3 We agree with the recommendation. The SWCP will work with the Internal Audit Program to develop procedures to ensure audits of the district's accounts of receipts and disbursements are conducted in accordance with state law. The SWCP and Internal Audit Program will continue to schedule contract audits of the districts. The SWCP will develop a risk assessment process to assist in determining the priority order of districts to be audited. The SWCP through policy and procedure development will ensure all corrective action plans from the districts contract audits are forwarded to Internal Audit Program on a timely basis.*

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# Department of Natural Resources

## Soil and Water Conservation Program

### Organization and Statistical Information

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The Soil and Water Conservation Program (SWCP) provides financial incentives to landowners to implement conservation practices that help prevent soil erosion and protect water resources. By promoting good farming techniques that help keep soil on the fields and waters clean, the program helps conserve the productivity of Missouri's working lands. Assistance offered by the SWCP includes the cost-share program, agricultural nonpoint source special area land treatment program, district grants, and the Mississippi River Basin Healthy Watersheds Initiative.

The SWCP provides conservation services and funding to Missouri's 114 Soil and Water Conservation Districts. The SWCP is administered by the Soil and Water Districts Commission.

The Soil and Water Districts Commission has ten members made up of six farmers appointed by the Governor and four ex-officio members. The four ex-officio members are directors of the Departments of Natural Resources, Agriculture, and Conservation, along with the dean of the University of Missouri-Columbia's College of Agriculture. The commission has the authority to promulgate such rules and regulations as may be necessary to effectively administer a state-funded soil and water conservation program.

#### Commission Members at June 30, 2011

Farmer Members	
Commissioner	Term Expires
Richard Fordyce	August 15, 2010 (1)
Gary Vandiver	August 15, 2011
Charlie Ausfahl	August 15, 2012
Kathryn Braden	August 15, 2010 (1)
Thomas Bradley	August 15, 2012
Vacant	August 15, 2011
Ex-Officio Members	
Commissioner	Title
Sara Parker-Pauley	Director, Department of Natural Resources
Dr. Jon Hagler	Director, Department of Agriculture
Robert Ziehmer	Director, Department of Conservation
Thomas Payne	Dean, University of Missouri-Columbia, College of Agriculture

(1) Members continue to serve until a replacement is named.

The director of the SWCP oversees the commission's operation and administration. In June 2011, Colleen Meredith was appointed Interim Program Director and is currently serving in that capacity. Prior to this, Bryan Hopkins served as the Program Director.

The primary source of funding for the Soil and Water Conservation Program is half of the one-tenth-of-one-percent parks, soils and water sales tax. The parks, soils and water tax was created through a constitutional amendment



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and earmarked specifically for the state park system and efforts to stop soil erosion. The tax was first approved by voters in 1984, and has since been reapproved by voters three times in 1988, 1996 and 2006. The sales tax renewal will be up for vote in 2016.

American Recovery and  
Reinvestment Act 2009  
(Federal Stimulus)

The Department of Natural Resources Soil and Water Conservation Program did not receive any federal stimulus monies during the three years ended June 30, 2011.

Appendix A

Department of Natural Resources-Soil and Water Conservation Program  
 Comparative Statement of Receipts, Disbursements, Other Financing Uses, and Changes in Cash and Investments -  
 Soil and Water Sales Tax Fund

	Year Ended June 30,		
	2011	2010	2009
<b>RECEIPTS</b>			
Soil and water sales/use tax	\$ 38,326,982	37,541,196	38,627,589
Inter-agency billing	0	0	2,286
Refunds	52,316	27,949	28,789
Interest	222,314	423,043	905,970
Transfer in	85	199	951
<b>Total Receipts</b>	<b>38,601,697</b>	<b>37,992,387</b>	<b>39,565,585</b>
<b>DISBURSEMENTS</b>			
Personal service	1,292,067	1,203,711	1,374,713
Employee fringe benefits	591,551	549,774	569,690
Operations	38,525,049	36,622,079	39,432,193
<b>Total Disbursements</b>	<b>40,408,667</b>	<b>38,375,564</b>	<b>41,376,596</b>
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS BEFORE OTHER FINANCING USES</b>	<b>(1,806,970)</b>	<b>(383,177)</b>	<b>(1,811,011)</b>
<b>OTHER FINANCING USES</b>			
Appropriations exercised by other state agencies			
OA-Legal and other expense	8,476	8,476	8,746
OA-Unemployment insurance	320	5,760	607
Office of the Attorney General	14,464	14,464	14,464
Office of the State Auditor	20,728	20,728	20,728
Department of Revenue	247,772	254,942	271,769
<b>Total Other Financing Uses</b>	<b>291,760</b>	<b>304,370</b>	<b>316,314</b>
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES</b>	<b>(2,098,730)</b>	<b>(687,547)</b>	<b>(2,127,325)</b>
<b>CASH AND INVESTMENTS, JULY 1</b>	<b>30,584,105</b>	<b>31,271,652</b>	<b>33,398,977</b>
<b>CASH AND INVESTMENTS, JUNE 30</b>	<b>\$ 28,485,375</b>	<b>30,584,105</b>	<b>31,271,652</b>

Appendix B

Department of Natural Resources - Soil and Water Conservation Program  
 Comparative Statement of Appropriations and Expenditures

	Year Ended June 30,								
	2011			2010			2009		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
SOIL AND WATER SALES TAX FUND									
Attorney General Expense and Equipment	\$ 2,267	2,267	0	2,267	2,267	0	2,267	2,267	0
Attorney General Personal Service	12,197	12,197	0	12,197	12,197	0	12,197	12,197	0
Conservation Equipment Incentive Program	75,000	23,646	51,354	500,000	36,139	463,861	300,000	75,740	224,260
Cost Share Grant	26,500,000	24,360,611	2,139,389	26,000,000	20,064,337	5,935,663	20,451,832	20,430,169	21,663
Department Operations - Contract Audits Expense and Field Services Expense and Equipment	250,604	153,793	96,811	58,000	0	58,000	106,000	105,755	245
Grants To Soil Districts	11,680,820	10,446,731	1,234,089	11,680,820	10,816,185	864,635	9,647,404	9,624,598	22,806
Refund Accounts	329	0	329	329	0	329	329	0	329
Regional Offices Expense and Equipment	20,000	9,713	10,287	0	0	0	0	0	0
Soil and Water Conservation Expense and Equipment	638,555	231,038	407,517	638,555	208,802	429,753	1,156,799	1,156,640	159
Soil and Water Conservation Personal Service	1,319,456	1,259,142	60,314	1,319,456	1,170,786	148,670	1,403,171	1,341,788	61,383
Soil and Water Resources Grant	75,000	52,807	22,193	75,000	0	75,000	185,000	168,096	16,904
Special Area Land Treatment	3,600,000	2,497,173	1,102,827	4,620,454	4,620,410	44	6,896,200	6,890,639	5,561
State Auditor Personal Service	20,728	20,728	0	20,728	20,728	0	20,728	20,728	0
Unemployment Benefits	7,619	320	7,299	7,619	5,760	1,859	7,619	607	7,012
Total Soil And Water Sales Tax Fund	\$ 44,202,575	39,070,166	5,132,409	44,955,425	36,966,327	7,989,098	40,219,969	39,852,783	367,186

Note: There were no Governor's withholdings for this fund for these years.

Appendix C

Department of Natural Resources - Soil and Water Conservation Program  
 Comparative Statement of Expenditures (From Appropriations)

	Year Ended June 30,				
	2011	2010	2009	2008	2007
Salaries and wages	\$ 1,292,067	1,203,711	1,374,713	2,011,961	1,953,605
Travel, in-state	55,705	36,582	70,629	111,267	96,602
Travel, out-of-state	1,021	1,673	8,728	9,088	7,982
Fuel and utilities	0	0	113	4,762	3,914
Supplies	22,929	23,385	31,075	81,026	51,910
Professional development	18,115	18,052	21,421	56,456	76,229
Communication service and supplies	20,019	20,822	22,602	113,608	34,301
Services:					
Professional services	275,886	330,089	2,595,746	1,676,392	1,353,348
Housekeeping and janitorial	0	51	309	7,555	6,254
Maintenance and repair	1,727	5,409	6,391	33,196	19,262
Equipment:					
Computer	0	302	0	635,311	76,333
Office	0	0	726	91	112
Other	0	18	0	5,162	23,606
Debt service	0	0	0	0	2,898
Building lease payments	1,390	1,636	1,309	110,959	83,510
Equipment rental and leases	171	188	888	396	839
Miscellaneous expenses	7,889	9,965	11,224	5,490	7,477
Program distributions	37,373,247	35,314,444	35,706,909	30,447,666	31,772,970
Total Expenditures	\$ <u>39,070,166</u>	<u>36,966,327</u>	<u>39,852,783</u>	<u>35,310,386</u>	<u>35,571,152</u>