

**MISSOURI DEPARTMENT OF NATURAL RESOURCES
SOIL AND WATER CONSERVATION DISTRICT - _____
ENGAGEMENT PERIOD - _____**

OBJECTIVES

1. To determine that internal controls were adequate and functioning properly at the soil and water conservation district.
2. To determine that the soil and water conservation district was in compliance with laws, regulations, rules, contracts, grants, policies and procedures including the following:
 - Policies of the soil and water conservation district;
 - Chapter 278 “Soil Conservation” of the Revised Statutes of Missouri (RSMo);
 - Code of State Regulations (CSR), Title 10-Department of Natural Resources, Division 70-Soil and Water Districts Commission;
 - Soil and Water Conservation Districts *Operation Manual*;
 - Soil and Water Conservation Districts *Quarterly Report Handbook*;
 - Soil and Water Conservation Districts *Cost-Share Handbook*;
 - Soil and Water Conservation Districts *Special Area Land Treatment Program*;
 - Soil and Water Conservation District Memorandums; and
 - Federal grant agreements for the U.S. Environmental Protection Agency (EPA) Section 319 Non-point Source Implementation Grant, the U.S. Department of Agriculture (USDA) Natural Resources Conservation Service (NRCS) Environmental Quality Incentives Program, and any other grants received by the district.
3. To determine that all receipts, disbursements, and cash balances of the soil and water conservation district were accurately reported in the district’s annual financial report and other accounting records.
4. To determine that payments for cost-share and AgNPS SALT were eligible costs and were properly documented and approved.

<u>PROCEDURES</u>	<u>Initials & Date</u>	<u>W/P Ref</u>
I. Entrance Conferences A. Meet with the soil and water conservation district to discuss the scope of the engagement and the status of the district activities. The board members should be offered the opportunity to be present at the entrance conference. Notify the Department of Natural Resources (DNR)-Internal Audit Program at least five days in advance of the meeting.		
<u>PROCEDURES</u>	<u>Initials & Date</u>	<u>W/P Ref</u>
II. Board Minutes A. Review the “The Missouri Sunshine Law,” RSMo Chapter 610 and the <i>Operations Manual</i> , Chapter VI “Board Meetings.” B. Obtain minutes of board meetings for the engagement period and up to the current date. Determine if minutes were kept for every board meeting. Determine that approved, signed minutes and attachments were scanned and e-mailed to the DNR-Soil and Water Conservation Program and district coordinator starting July 1, 2008. (Closed		

MISSOURI DEPARTMENT OF NATURAL RESOURCES
SOIL AND WATER CONSERVATION DISTRICT - _____
ENGAGEMENT PERIOD - _____

<p>session minutes should not be sent.) Read through the board minutes for pertinent facts and information.</p> <p>C. Evaluate 6 sets of minutes kept by the board (1 for FY 2008, 2 for FY 2009 and 3 for FY 2010) utilizing Attachment 1, “The Missouri Sunshine Law Compliance Checklist.”</p> <p>D. On Attachment 1 document whether the district has a written policy regarding the Sunshine Law. Evaluate the policy for reasonableness. Determine that the district has appointed a custodian of records.</p> <p>E. Determine whether the district has procedures regarding requests for district records. Review any requests during the engagement period.</p>		
PROCEDURES	<u>Initials & Date</u>	<u>W/P Ref</u>
<p>III. Cash/Revenue</p> <p>A. Evaluate internal controls related to cash/revenue, petty cash, and investments utilizing Attachment 2, Internal Control Questionnaire. DNR provides state-wide surety bond coverage and the surety bond company requires the following: countersignatures on checks and reconciliation of the bank account by someone not authorized to make deposits/withdrawals.</p> <p>B. Review the district checkbook(s) immediately upon arrival at the district office. Photocopy, at a minimum, the last three check stubs for checks written, the next three checks to be issued, and any partially completed checks. Determine that checks are issued in numerical sequence. Determine that checks are not pre-signed. Determine that the check stock inventory is secured.</p> <p>C. List all district bank accounts, savings accounts and investments held during the engagement period. Determine that all are tracked in the computer accounting system.</p> <p>D. Review all bank authorization forms and prepare a list of authorized check signers during the engagement period. Determine that terminated employees and ex-board members have been removed from check signing authority.</p> <p>E. Document the bank reconciliation process. Determine who completes the monthly bank reconciliation and whether a board member reviews and approves the bank reconciliation. Vouch the bank reconciliation at June 30 and one additional random month for each year of the engagement period. Determine that the reconciliations were prepared accurately and approved properly.</p> <p>F. Reconcile the June 30 cash balance for each year of the engagement</p>		

MISSOURI DEPARTMENT OF NATURAL RESOURCES
SOIL AND WATER CONSERVATION DISTRICT - _____
ENGAGEMENT PERIOD - _____

<p>period and the most recent month of the current year per the bank, checkbook, and the computer accounting system records. Confirm the June 30, 2010 and current balances with the bank.</p> <p>G. Obtain the district’s annual financial reports for the engagement period generated by the DNR provided computer accounting system. Review revenue amounts for accuracy and reasonableness.</p> <p>H. Obtain a listing of funds the district received from the DNR for the engagement period. Agree to the district accounting records.</p> <p>I. Determine that interest income for all checking and savings accounts and certificates of deposit is recorded for the engagement period.</p> <p>J. Confirm the amount received from the County Commission or any other outside entity for the engagement period. Determine the purpose of the funds and if there are any restrictions for which the funds may be utilized. Agree to bank records and district accounting records.</p> <p>K. Determine if the district receives or generates revenue from sources other than the DNR. For other revenue sources, verify the accuracy of those records, including pre-numbered receipts, acre meter readings, equipment rental agreements, usage logs, and records for services/items for resale. Evaluate internal controls related to inventory, resale, and equipment rental utilizing Attachment 2.</p> <p>L. Determine whether the district has a petty cash fund. Determine that the cash is adequately secured and expenses are proper and supported by documentation.</p>		
PROCEDURES	Initials & Date	W/P Ref
<p>IV. Expenditures</p> <p>A. Evaluate internal controls related to expenditures and procurement utilizing Attachment 2, Internal Control Questionnaire.</p> <p>B. Obtain the district’s annual financial reports for the engagement period generated by the DNR provided computer accounting system. Review expenditure amounts for accuracy and reasonableness.</p> <p>C. Perform review of 10% of the number of transactions of the non-payroll, local expenditures for the engagement period. Review the following attributes:</p> <ol style="list-style-type: none"> 1. Canceled check is adequate as to date, payee and amount. 2. Check is signed by authorized personnel and has dual signatures. 3. Check has not cleared the bank prior to the check date. 4. Expenditure has met Attachment 2, Internal Control 		

MISSOURI DEPARTMENT OF NATURAL RESOURCES
SOIL AND WATER CONSERVATION DISTRICT - _____
ENGAGEMENT PERIOD - _____

<p>Questionnaire, questions 41-51.</p> <p>D. Select a sample of state expenditures and review for above attributes. Pay particular attention to expense accounts.</p> <p>E. Determine if the district allows expenses to be paid electronically. If so, review the district policy established for approving, reviewing and documenting these expenditures?</p> <p>F. Determine if the district provides cellular phones for staff. If so, has the board established a cell phone policy? Review at least 2 invoices per cell phone for each year of the engagement period.</p> <p>G. Determine if the district has any credit/debit card accounts. Determine authorized signer, allowable purchases, and credit limits. Determine if the board approves all purchases. Review credit card statements for the engagement period. Review policies associated with credit card purchases.</p>		
PROCEDURES	Initials & Date	W/P Ref
<p>V. Personnel and Payroll</p> <p>A. Evaluate internal controls related to personnel and payroll utilizing Attachment 2, Internal Control Questionnaire.</p> <p>B. Review the district’s current personnel policy to ensure compliance with applicable laws and regulations (i.e. Fair Labor Standards Act, Family and Medical Leave Act, etc.).</p> <p>C. Review 25% of payroll records by selecting one quarter for each year of the engagement period. Review the following for all employees employed by the district for the quarter.</p> <ol style="list-style-type: none"> 1. Review personnel file for the employee and determine that appropriate forms, such as employment application, position description, performance evaluations, payroll withholding authorization forms, leave records, etc. are included. 2. Review employee timesheets and leave records for the quarter to ensure time worked, compensatory time, vacation and sick leave are accurate, adhere to district policy, and do not conflict with federal or state laws. Ensure that timesheets are signed by the employee and approved by a board member. 3. Calculate the employee’s pay. Ensure taxes are correctly calculated and withheld. Ensure pay rate has been approved by the board. 4. Review canceled check or bank statement to ensure paycheck did not clear the bank prior to the end of the pay period. 5. Reconcile the Employee Earnings Records to the quarterly 941 		

MISSOURI DEPARTMENT OF NATURAL RESOURCES
SOIL AND WATER CONSERVATION DISTRICT - _____
ENGAGEMENT PERIOD - _____

<p>returns and to the payroll expenditures recorded in the district accounting records.</p> <p>D. Review payroll records to ensure state and federal funds are not used for payroll expenses during the same time frame for one employee.</p> <p>E. Review cafeteria plan records to ensure the plan is being administered correctly.</p>		
PROCEDURES	Initials & Date	W/P Ref
<p>VI. Federal Grants</p> <p>A. Obtain a schedule of federal grant awards and expenditures from the district for the following grant programs:</p> <ol style="list-style-type: none"> 1. EPA Section 319 Non-point Source Implementation Grant; 2. USDA, NRCS Environmental Quality Incentives Program (EQIP); and 3. Other federal grants. <p>B. Reconcile the federal expenditures by fiscal year to the district financial statement and to expenditures reported to the DNR.</p> <p>C. If federal expenditures are \$500,000 or greater, determine if the district obtained a single audit in accordance with OMB Circular A-133. Determine if a copy was submitted to the DNR.</p> <p>D. Obtain a copy of the A-133 audit. Review the report and provide follow-up on the status of any findings and questioned costs.</p> <p>E. For any purchase of rental equipment using 319 federal grant funds, review the revenue and expenditure records, rental/usage logs, rental agreement, equipment inventory, and equipment repair for accuracy and reasonableness.</p>		
PROCEDURES	Initials & Date	W/P Ref
<p>VII. Other</p> <p>A. Evaluate internal controls related to inventory/resale/rental utilizing Attachment 2, Internal Control Questionnaire.</p> <p>B. Evaluate internal controls related to fixed assets utilizing Attachment 2, Internal Control Questionnaire.</p> <p>C. Perform a physical inventory of fixed assets, including office, technical, and rental equipment (which may be located off-site). An inventory of property that has been funded through the Parks and Soil and Water Tax Fund or Local Funds with a value of \$1,000 or</p>		

MISSOURI DEPARTMENT OF NATURAL RESOURCES
SOIL AND WATER CONSERVATION DISTRICT - _____
ENGAGEMENT PERIOD - _____

<p>more is submitted to the DNR-Soil and Water Conservation Program annually on August 15. State computers and printers are not required on the inventory but may be included. (Operations Manual 4.35)</p> <p>D. Obtain a listing of the current board of supervisors and determine that they are eligible to be on the district board according to RSMo Chapter 278 and 10 CSR 70-2.020.</p> <p>E. Obtain a copy of the district’s election procedures. Evaluate the district’s election policies and procedures by reviewing 2 elections during the engagement period to ensure compliance with state statute and rules utilizing Attachment 3, Election Procedures Questionnaire. Obtain a list of landowners who own land assessed as agricultural from the County Assessor’s Office and trace landowners who voted in the district elections to the County Assessor’s list. If there were 40 or less total votes per election, verify the total number of votes cast or 20, whichever is less. If there were over 40 total votes cast per election, verify 50%.</p> <p>F. Document any appearance of conflict of interest or nepotism occurring in the district (Operations Manual, IX 9.10).</p> <p>G. Prepare a listing of outstanding obligations of the district at June 30 of each year of the engagement period, such as office rent, utilities, insurance, etc. Also include any obligations that were paid by other entities, such as the County Commission, that may need to be reimbursed.</p> <p>H. Review the security of the office and rental equipment. Determine whether terminated employees/board members have returned keys. Determine whether new locks have been installed.</p> <p>I. For a district that is not housed with NRCS determine if the facility is ADA compatible. (12 districts – Camden, Carter, Iron, Dent, Madison, Maries, Ozark, Pulaski, Reynolds, Stone, Taney, and Washington)</p> <p>J. For a district that had the USDA office closed and the district received the Rent and Utilities Grant from the DNR, determine that the district has a written lease agreement. Review for reasonableness and agreement with invoices submitted for payment to DNR. (12 districts – Camden, Carter, Iron, Dent, Madison, Maries, Ozark, Pulaski, Reynolds, Stone, Taney, and Washington)</p>		
--	--	--

MISSOURI DEPARTMENT OF NATURAL RESOURCES
SOIL AND WATER CONSERVATION DISTRICT - _____
ENGAGEMENT PERIOD - _____

PROCEDURES	Initials & Date	W/P Ref
<p>VIII. Cost-Share</p> <p>NOTE: Any reference made to “contract” is equivalent to “application”; “contract payment” is equivalent to “claim”; and “change order” is equivalent to “amendment” for fiscal year 2008.</p> <p>A. Verify the district has the Cost-Share Memorandum of Understanding between the district and the Soil and Water Districts Commission on file. CSH II-1</p> <p>B. Verify the district has the Cooperative Working Agreement that formalizes a partnership between the Soil and Water Districts Commission, the district board, and the NRCS on file. CSH V-1</p> <p>C. Document the district’s policies and procedures for cost-share and evaluate for compliance with the program guidelines. Determine whether the board has authorized any board members to approve cost-share forms between board meetings.</p> <p>D. Determine that cost-share contract payments and supporting documentation are retained for a minimum of 3 full fiscal years. Contract payments for practices with a maintenance life of more than 3 years must be kept for the maintenance life of the practice (these may be boxed and moved from current files). CSH II-12, II-13. Starting in FY 2009, cost-share payments were direct-deposited to the landowner’s bank account. If the district maintains the Vendor ACH/EFT Application and Vendor Input Form, determine that the forms are kept in a locked file cabinet as the forms include the landowner’s social security number and bank account number. (The district may not maintain the forms. The landowner may submit the forms directly to the Office of Administration.)</p> <p>E. Determine whether the district employs a certified District Technician II and/or NRCS has given signature authority for cost-share forms. Check approval letter from DNR-Soil and Water Conservation Program or the technician’s certificate for the list of eligible practices.</p> <p>F. Complete the Cost-Share Selection Process Audit Questionnaire utilizing Attachment 4.</p> <p>G. Review and evaluate all, but not to exceed 10, cost-share contracts in process.</p> <p>H. Review 5 cancellations for FY 2009 and FY 2010 to ensure the cancellation was printed and at a minimum signed by a board</p>		

MISSOURI DEPARTMENT OF NATURAL RESOURCES
SOIL AND WATER CONSERVATION DISTRICT - _____
ENGAGEMENT PERIOD - _____

<p>member. (Does not apply to FY 2008.)</p> <p>I. Determine if AgNPS SALT cost-share practices are installed within the AgNPS SALT area. Explain how this is verified.</p> <p>J. The DNR will select a sample of cost-share for review, including regular cost-share and AgNPS SALT cost-share. Complete the cost-share worksheets for each sample item and evaluate cost-share controls utilizing Attachment 5. Summarize results of the cost-share file review and analysis on the worksheet provided and include in the engagement report.</p> <p>K. Document and evaluate the district’s policy and procedures for cost-share maintenance. Select a sample of cost-share practices and review the district’s maintenance follow-up.</p> <p>L. Prepare a schedule of cost-share information to be included in the audit report that includes DNR funding provided to landowners for regular cost-share and AgNPS SALT.</p>		
PROCEDURES	Initials & Date	W/P Ref
<p>IX. Follow-up</p> <p>A. Review the findings of the previous agreed-upon procedures engagement conducted by an independent auditing firm on behalf of the DNR.</p> <p>B. Document the status of the findings and the actions that the district has taken to correct the findings. If the current board has not had sufficient time to implement corrective action, the follow-up should state so.</p>		
PROCEDURES	Initials & Date	W/P Ref
<p>X. Exit Conference</p> <p>A. Conduct an exit conference with the soil and water conservation district to discuss the results of the engagement. The board members should be offered the opportunity to be present at the exit conference. Prior to the exit conference, e-mail or fax the preliminary findings to the DNR-Internal Audit Program at least 24 hours prior to the exit, unless other arrangements have been mutually agreed upon.</p>		
PROCEDURES	Initials & Date	W/P Ref
<p>XI. Report</p> <p>A. Prepare a report on the engagement in accordance with generally</p>		

MISSOURI DEPARTMENT OF NATURAL RESOURCES
SOIL AND WATER CONSERVATION DISTRICT - _____
ENGAGEMENT PERIOD - _____

<p>accepted auditing standards, <i>Government Auditing Standards</i>, and the Statements on Standards for Attestation Engagements.</p> <p>B. The report should include a discussion of the procedures performed and the results.</p> <p>C. The report should include findings in the format of the condition, criteria, cause, effect, questioned costs, recommendation, and district response.</p> <ol style="list-style-type: none"> 1. All exceptions, internal control weaknesses, and instances of noncompliance should be included in the report, unless the DNR has indicated a materiality level. 2. The findings must include detailed information to facilitate the soil and water conservation district and DNR corrective action plan. The information should include dollar amounts (including questioned cost), grant name and number, fiscal year, invoice date, check number and check date. 3. The cause should cite a specific criteria reference for any law, rule, regulation, grant agreement, procedures manual, or normal business practice that is not being complied with. 4. The recommendation(s) should be directed to the district. 5. The district's response to the finding should be obtained during the fieldwork exit conference. <p>D. The report should include a schedule of the district's receipts, disbursements, and cash balance by fiscal year. Include the reconciled current cash balance. Provide a list of journal entries.</p> <p>E. The report should include a schedule of cost-share, including funding provided to landowners for regular cost-share and AgNPS SALT. Include the results of the cost-share file review and analysis on the worksheet provided.</p> <p>F. The report should include follow-up on prior findings including the status and corrective action by the district.</p>		
---	--	--