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Missouri State Auditor

NATURAL RESOURCES

State Environmental Improvement and Energy Resources Authority



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YELLOW SHEET

Findings in the audit of the State Environmental Improvement and Energy Resources Authority

Fund Balance and Financing Fees	The State Environmental Improvement and Energy Resources Authority (SEIERA) has accumulated an unrestricted General Fund balance of \$6.6 million with no specific plans for its use and has not considered modifying its fee structure. The SEIERA has not changed its fee structure since at least 1986.
Market Development Program	The SEIERA has not always submitted accurate reimbursement claims or provided reports of effectiveness related to the Market Development Program (MDP). The SEIERA did not reconcile actual costs to claimed costs, and as a result, submitted inaccurate reimbursement claim forms to the DNR for reimbursement of MDP costs. We reviewed the quarterly reimbursement claim forms submitted to the DNR during the year ended June 30, 2009, and noted claimed costs exceeded actual costs by about \$11,250 during October through December 2008. The SEIERA does not adequately report to the Governor and legislature on the effectiveness of the MDP.
Expenditures and Contracts	The SEIERA does not have a formal procurement policy. We noted the SEIERA did not solicit competitive proposals prior to extending contracts for legal and financial services related to bond issuances and did not solicit proposals for administrative and technical services for the MDP. The SEIERA did not always receive adequate supporting documentation prior to paying invoices for legal services. The SEIERA did not require adequately detailed contracts and did not always receive adequate supporting documentation prior to payment of invoices for accounting services. In addition, accounting services were not always provided in a timely manner. The MDP contract management costs and the direct project costs for technical assistance services provided by the not for profit corporation were not adequately detailed. The SEIERA's policies do not provide for effective control of employee travel costs. The SEIERA's contracts with professional service providers do not limit individual travel expenses to usual and customary rates and the contracts do not require the provider to itemize travel expenses. Additionally, the contracts do not require the provider submit documentation detailing the travel expenses.
Bank Accounts and Investments	The SEIERA has not maximized interest earnings and has not maintained documentation to support its investment decisions. Maintaining excessive balances in relatively low yield checking and money market accounts deprives the SEIERA of additional interest earnings. The SEIERA should review and document its financial position and expected revenues and expenditures on a weekly or monthly basis and balances in excess of short-term needs should be invested.

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State Environmental Improvement and Energy Resources Authority

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Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Mark N. Templeton, Director
Department of Natural Resources
and
State Environmental Improvement and Energy Resources Authority
and
Tom Welch, Executive Director
State Environmental Improvement and Energy Resources Authority
Jefferson City, Missouri

We have audited the State Environmental Improvement and Energy Resources Authority. The authority engaged Williams Keepers LLC, Certified Public Accountants (CPAs), to audit the authority's financial statements for the years ended June 30, 2009, 2008, and 2007. To minimize duplication of effort, we reviewed the reports and substantiating working papers of the CPA firm. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2009, 2008, and 2007. The additional objectives of our audit were to:

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

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the authority; 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 also tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We 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. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

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 authority's management and was not subjected to the procedures applied in our audit of the authority.

The accompanying Management Advisory Report presents our findings arising from our audit of the State Environmental Improvement and Energy Resources Authority.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Dennis Lockwood, CPA
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State Environmental Improvement and Energy Resources Authority

Management Advisory Report

State Auditor's Findings

1. Fund Balance and Financing Fees

The State Environmental Improvement and Energy Resources Authority (SEIERA) has accumulated an unrestricted General Fund balance of \$6.6 million with no specific plans for its use and has not considered modifying its fee structure.

As of June 30, 2009, the SEIERA's General Fund assets include about \$1.5 million in cash, \$4.9 million in investments and \$.2 million in receivables and other assets. The SEIERA has not developed any plans to use the available funds either to expand current programs or to develop new programs to further its public mission.

The SEIERA issues tax-exempt bonds under the State Revolving Fund (SRF), Private Activity Bond, and Energy Efficiency Leveraged Loan programs. The bonds are conduit debt and the SEIERA has no liability for repayment of the debt, which is the responsibility of program participants. The SEIERA collects related application and issuance fees. The revenues from those fees during the 3 years ended June 30, 2009, totaled just over \$1.3 million.

During the 3 years ended June 30, 2009, the SEIERA's General Fund also received revenues of \$802,000 from investments, \$593,000 from the Department of Natural Resources (DNR) under a cooperative agreement, and \$135,000 from the Market Development Fund as reimbursement of the staff time spent working on that program. The General Fund's unrestricted fund balance has increased from \$6,053,923 at June 30, 2006 to \$6,595,885 as of June 30, 2009, an increase of \$541,962 (9 percent). Annual General Fund disbursements averaged about \$718,500 during the 3 years ended June 30, 2009. The General Fund unrestricted fund balance at June 30, 2009, is about 9.2 times greater than the 3 year average annual expenditures.

The SEIERA has not changed its fee structure since at least 1986. Application fees are set at 1/10 of 1 percent of the amount to be financed with a \$100 minimum and a \$2,500 maximum. Issuance fees are incremental starting at .625 percent of the amount financed for issuances of \$2.5 million or less, .5 percent on the next \$2.5 million issued, .375 percent on the next \$5 million issued, .25 percent on the next \$15 million issued, and .125 percent for issuances over \$25 million. The issuance fee on a \$25 million financing package would total \$84,375 and on a \$50 million package would total \$115,625. A reduction of fees would reduce the cost of financing to the public and private entities. Under Section 260.035.1(18), RSMo, the SEIERA is authorized to collect reasonable fees and charges in connection with its financing activities; however, such fees and charges shall be limited to the amounts required to pay the costs of the SEIERA including operating and administrative expenses and reasonable allowance for losses. Given the substantial balance of the General Fund, it appears the SEIERA could reduce fees without impairing its financial stability.



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The SEIERA's director indicated the bond issue programs have recently been impacted by changes due to the federal American Recovery and Reinvestment Act (ARRA) of 2009 and the SEIERA likely will have fewer participants in the programs in the next year or two; consequently, the SEIERA expects revenues from fees will decrease, although the SEIERA has not quantified the expected decrease in fee revenues.

Accumulating an excessive fund balance with no long-term plans for the use of the monies does not further the SEIERA's public mission. The SEIERA should examine its current fee structure to ensure fees are reasonable and necessary to carry out its purposes as established in state law and to benefit entities using the SEIERA's services.

Recommendation

The SEIERA re-evaluate its fee structure to ensure fees are reasonable and necessary to carry out its purposes.

Auditee's Response

We agree that the SEIERA fee structure should be re-evaluated periodically by the Authority Board to ensure it is reasonable and necessary to carry out its purposes. The responsibilities of the Authority in connection with its outstanding bonds exists for more than 20 years into the future. Revenues of the Authority are primarily bond issuance fees and these fees support our fund balance. Due to certain upcoming changes to the structure of the SRF program, general economic conditions and the recent SRF ARRA funding for Missouri we expect Authority revenues to be limited for some time. It is not possible at this time to accurately predict near term revenues. We believe, however that our fee structure is reasonable, if compared to other bond issuing Authorities. The fee structure has sustained the SEIERA's programs and operations for many years, through years of both very high and very weak revenue, but we agree that periodic reviews should be undertaken by the Board.

2. Market Development Program

The SEIERA has not always submitted accurate reimbursement claims or provided reports of effectiveness related to the Market Development Program (MDP).

The SEIERA's MDP provides financial and technical assistance to businesses to develop and promote markets for recycled content products. The SEIERA provides direct financial assistance, limited to no more than \$50,000 per project since 2000, to businesses for specific equipment costs. An MDP steering committee composed of staff from the DNR, Department of Economic Development, and SEIERA review applications for financial assistance and makes funding recommendations to the authority. Additionally, the SEIERA, through the use of contracted services, provides technical assistance grants to businesses to increase the use of recovered materials in manufacturing, marketing and purchasing. During the 3 years ended June 30, 2009, the SEIERA's MDP Fund expenditures totaled about \$2.2 million.



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2.1 Cost reimbursements

The SEIERA did not reconcile actual costs to claimed costs, and as a result, submitted inaccurate reimbursement claim forms to the DNR for reimbursement of MDP costs. The SEIERA receives reimbursement for its MDP expenditures from the DNR's Solid Waste Management Fund (SWMF). The SEIERA's annual allocation from the SWMF is limited to a maximum of \$800,000 per year but any unused amounts carry-forward to the subsequent year.

We reviewed the quarterly reimbursement claim forms submitted to the DNR during the year ended June 30, 2009, and noted claimed costs exceeded actual costs by about \$11,250 during October through December 2008. The DNR paid the total amount claimed, \$130,106, in May 2009. The overbilling occurred because the SEIERA inadvertently double claimed salaries and overhead expenses paid by the General Fund on its quarterly reimbursement claim form. The reimbursement claim forms are prepared by the SEIERA's financial officer and submitted to the DNR after review by the SEIERA's Director. The SEIERA's review procedures did not include reconciling actual costs to claimed costs, and therefore did not detect the error. After we brought this matter to their attention, the SEIERA staff corrected the error by reducing the September 2009 reimbursement claim form by the amount of the previous overbilling. In its audit of the SEIERA for the year ended June 30, 2008, the CPA firm also noted the SEIERA had overbilled the DNR \$9,500 due to a similar error which was corrected on a subsequent billing. To ensure reimbursement claim forms billed to the DNR are accurate, the SEIERA should reconcile reimbursements claimed to actual expenditures incurred.

2.2 Program effectiveness

The SEIERA does not adequately report to the Governor and legislature on the effectiveness of the MDP. Section 260.335, RSMo, requires the SEIERA to establish a procedure to measure the effectiveness of the program and provide a report to the governor and general assembly by January fifteenth of each year regarding the effectiveness of the program. The SEIERA's Director indicated some information on the MDP program is included in the DNR's annual budget documents including the number of total jobs created or retained and the number of clients served by the MDP annually. However, this information does not appear to satisfy the reporting requirements and does not include information related to those MDP projects and activities determined to be most effective in increasing the quantities of waste materials diverted from waste facilities. To fully comply with statutory requirements, the SEIERA should establish procedures to measure the effectiveness of the program and report the results annually as required.



State Environmental Improvement and Energy Resources Authority
Management Advisory Report - State Auditor's Findings

Recommendations

The SEIERA:

- 2.1 Reconcile reimbursement claim forms submitted to the DNR to actual MDP expenditures.
- 2.2 Provide detailed annual reports to the Governor and legislature about the effectiveness of the MDP as required by state law.

Auditee's Response

- 2.1 *We agree that inadvertent overbillings should be detected in a more timely manner. We agree that internal controls should detect any inadvertent overbilling and any necessary credit or reimbursement issued as soon as possible. We are in the process of adding additional internal control within the bookkeeping function to minimize both the possibility of such an occurrence and the time necessary to make adjustments.*
- 2.2 *Though we annually provide pertinent information pertaining to economic impacts, we agree that more detailed information should be provided. We will provide such reporting annually, following the end of the current and future fiscal years.*

3. Expenditures and Contracts

The SEIERA did not adopt a formal procurement policy or always solicit competitive proposals for services. The SEIERA did not always require service providers to document detailed costs and perform timely services. Additionally, the SEIERA did not adequately control travel costs.

3.1 Procurement policies

The SEIERA does not have a formal procurement policy. As a result, the decision of whether to solicit competitive proposals for a particular purchase is made on an item-by-item basis. We noted the SEIERA did not solicit competitive proposals prior to extending contracts for legal and financial services related to bond issuances and did not solicit proposals for administrative and technical services for the MDP.

Bond issuance services

The SEIERA has not periodically solicited competitive proposals for legal and financial consulting services related to the SEIERA's bond issuances. The contracts for these services expired in 2007 and 2008 and the SEIERA extended the contracts in 2008 for 2 or 3 years, with no significant changes to other contract terms. The original contracts were issued from 3 to 6 years prior to the 2008 extensions. The SEIERA's Director indicated the contracts expired as the contractors were assisting the SEIERA with changes to its bond agreements and investments and changing contractors at that time would have been inefficient and impractical. However, documentation of these considerations was not available. Payments to the bond counsel, financial advisor, and investment agreement provider broker were paid from proceeds of bond issuances. The original contract term, extended contract



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term and total payments related to the services during the 3 years ended June 30, 2009, were:

Service	Contract term	Extended term	Payments
Bond counsel	July 2005 - June 2008	June 2010	\$199,316
Financial advisor	January 2005 - January 2008	January 2011	410,989
General counsel	April 2003 - June 2008	June 2011	358,710
Investment agreement provider broker	August 2002 - June 2007	June 2010	71,992

MDP contract services

The SEIERA has not solicited competitive proposals for administrative and technical services for the MDP. The SEIERA contracts with the University of Missouri for assistance in locating businesses with fundable projects and monitoring financial assistance projects. The authority also contracts with a not for profit corporation to identify businesses needing technical assistance, prepare funding requests for specific projects, and perform technical assistance projects. The proposals for technical assistance are submitted to the steering committee for approval. Payments to these vendors totaled about \$618,000 during the three years ended June 30, 2009. According to the SEIERA's Director, the SEIERA has utilized the current vendors for many years and the vendors have networks and industry contacts that are necessary and valuable and not obtainable from other vendors; however, these considerations have not been documented.

Formal procurement policies would provide a framework for the economical management of resources of the SEIERA and help ensure competitive proposals are obtained when appropriate. By periodically soliciting competitive proposals for professional services, the SEIERA could help ensure it receives fair value by contracting with the lowest and best bidders and also help ensure all parties are given equal opportunity to participate in SEIERA business. If competitive proposals cannot be obtained due to sole source situations, those circumstances should be thoroughly documented.

3.2 Contracts and invoices

Various concerns were noted regarding documentation required and/or maintained to support legal, accounting, and MDP technical assistance services.

Legal services

The SEIERA did not always receive adequate supporting documentation prior to paying invoices for legal services. The SEIERA requires the company benefitting from the bond financing to pay legal expenses exceeding \$10,000, while the SEIERA is responsible for legal expenses of \$10,000 or less. The SEIERA had three private activity bond issuances during the 3 years ended June 30, 2009, and paid its general counsel \$10,000 for each of these issuances. We reviewed supporting documentation for two of these payments and noted the general counsel provided a summary invoice indicating only that \$10,000 was due from the SEIERA for legal services. In addition, the SEIERA made payments to its bond



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counsel for services totaling \$33,000 during the 3 years ended June 30, 2009. We reviewed one invoice totaling about \$17,000 from the bond counsel for services related to SRF financings and noted the invoice detailed the service dates, initials of the attorney, brief descriptions of the services provided, and the total amount due; however, the invoice did not detail the hours worked for each day's service. The contracts with the general counsel and bond counsel required both the bond and legal counsel to bill for the services at \$150 per hour.

Accounting services

The SEIERA did not require adequately detailed contracts and did not always receive adequate supporting documentation prior to payment of invoices for accounting services. In addition, accounting services were not always provided in a timely manner. The SEIERA contracts with an accounting firm to:

- Prepare the monthly general ledger from receipt and disbursement ledgers.
- Prepare the monthly trial balance and financial statements, including statements comparing budgeted and actual revenues and expenditures.
- Process payroll.
- Provide consulting services.

Payments to this firm totaled about \$34,000 during the 3 years ended June 30, 2009. While the contract with the firm specifies an agreed upon price for the monthly general ledger, financial statement, and payroll services, the contract does not specify the hourly rate for the consulting services and the invoices from the firm do not include detail of the hours charged and hourly rate for consulting services. Additionally, we noted the financial statements and general ledger for the months of July 2008 through September 2008 and October 2008 through March 2009 were prepared in November 2008 and May 2009, respectively.

MDP technical assistance contracts and invoices

The MDP contract management costs and the direct project costs for technical assistance services provided by the not for profit corporation were not adequately detailed. Payments for technical assistance services totaled \$347,585 during the 3 years ended June 30, 2009.

The SEIERA approves funding for technical assistance projects based on budgeted project costs that are not supported by hourly rates and estimated time required for completion. The contracts for technical assistance services included line item amounts for contract management services of \$39,935, \$38,000, and \$36,650 in fiscal years 2009, 2008, and 2007, respectively. The costs of these contract management services represented about one-third of the total payments to the vendor during the 3 fiscal years. According to the contract, the principal duties of contract management are to review project proposals and final reports, attend monthly meetings of the MDP steering committee, and prepare status reports on the projects as requested



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by the steering committee. Neither the contract nor the invoices provide any details about the hours, hourly rate, and any expenses or indirect costs that comprise the contract management costs.

The direct project costs on project proposals and invoices usually do not indicate the hours and hourly rate. Throughout the year, the vendor submits proposals to the steering committee describing each project, including a general description of the work to be performed, the goal of the project, and the proposed cost. The entity benefitting from the service is to provide either cash or in-kind (required employee time) matching funds, ranging from 20 percent to 80 percent of the project costs. During the 3 years ended June 30, 2009, 49 projects were approved with awards totaling nearly \$233,000. We reviewed nine of these proposals and noted seven proposals did not provide details of the hourly rates or hours actually worked. For the two proposals that did include estimates of the hours required to complete the tasks, the hourly rate was \$125 per hour or \$150 per hour. In addition, the monthly invoices did not include the number of hours billed or the hourly rate for any of the nine proposals.

Detailed supporting documentation is necessary to allow the SEIERA to adequately review services performed and ensure the reasonableness of amounts billed. Additionally, timely accounting services are needed to enable the SEIERA to properly monitor its budgetary and financial activity.

3.3 Travel costs

The SEIERA does not adequately control and minimize travel costs of employees and contracted professional service providers.

Employee travel

The SEIERA's policies do not provide for effective control of employee travel costs. The SEIERA's employees incur travel expenses for mileage, meals, and lodging for various conferences and meetings. Employee travel expenses totaled \$73,783 for the 3 years ended June 30, 2009. Employees make their own travel arrangements, usually utilize their personal vehicles, and submit expense reimbursements which are reviewed and approved by the authority's deputy director. The SEIERA's policies do not require employees to obtain price comparisons for lodging when possible or consider the cost effectiveness of renting vehicles. Additionally, the policies allow reimbursement for meals when employees are not in overnight travel status. To better control travel costs, the SEIERA should consider establishing travel policies that would require employees to consider comparable lodging accommodations and lodging rates when practical, consider the cost effectiveness of vehicle rental or use of personal vehicle, and claim meal reimbursement only when in overnight travel or in travel status for 12 hours or more. The state travel policy (SP-6) issued by the Office of Administration (OA) requires consideration of these factors.



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Contractor travel

The SEIERA's contracts with professional service providers do not limit individual travel expenses to usual and customary rates and the contracts do not require the provider to itemize travel expenses. The contracts for bond counsel and financial advisor allow for reimbursement of out-of-pocket expenses, including travel up to a limit for each bond issue; however, the contracts do not limit individual lodging and meal expenses to usual or customary rates and or federal reimbursement rates. Additionally, the contracts do not require the provider submit documentation detailing the travel expenses. We reviewed four invoices for the 2008 SRF bond issue that included travel expenses totaling almost \$7,900 and noted none included adequate documentation detailing the travel dates, destinations, and purposes and the costs for meals, lodging, and transportation. Due to the lack of detailed documentation of travel expenses, the SEIERA had no assurance the charges were necessary and reasonable. To properly monitor and control travel costs of contracted service providers, the SEIERA should require the providers submit detailed supporting documentation and limit the reimbursement amounts to the usual and customary rates.

Recommendations

The SEIERA:

- 3.1 Establish formal procurement policies to ensure competitive proposals for professional and technical services are solicited on a periodic basis. If competitive procurement is not performed, the reason(s) should be clearly documented.
- 3.2 Require detailed supporting documentation be submitted for legal, accounting, and MDP technical assistance services. Additionally, the SEIERA should ensure accounting services are received timely.
- 3.3 Re-evaluate existing employee travel policies to better control employee travel costs and require contractors to submit detailed supporting documentation of travel costs and limit reimbursements to usual and customary rates.

Auditee's Response

- 3.1 *We agree that our procurement guidelines and policies should be more formalized and codified. When exceptions to the competitive proposal process are allowed, documentation should be clear. The Authority Board approves such agreements and their associated costs in its annual budget adoption process. We periodically solicit competitive proposals for all legal and financial services related to our bond issuances. When agreements for such services are extended, those extensions are approved by the Board. We agree that we can better document the circumstances supporting any extensions.*



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- 3.2 *We agree that in some instances supporting documentation has not been as complete as we should require. We are now requiring all such documentation at the time of invoicing. We are also asking for more timely receipt of certain accounting services.*
- 3.3 *We agree. Our travel policy will be reviewed with the Authority Board. The Authority is a small agency and makes its own travel arrangements. We are taking steps now to better control travel costs. We do not have access to State vehicles, and Authority employees are not employed by the State. We will review state travel policy (SP-6) and consider its factors, as well as contractor reimbursements, rates and documentation.*

4. Bank Accounts and Investments

The SEIERA has not maximized interest earnings and has not maintained documentation to support its investment decisions.

The SEIERA maintains its funds in checking accounts, money market accounts, and certificates of deposit (CDs). The SEIERA deposits monies received into one of three money market accounts and then transfers monies to various checking accounts to pay payroll and other general expenses. At June 30, 2009, the SEIERA maintained balances in checking and money market accounts with interest rates as follows:

Account	Balance	Rate
MDP money market	\$200,787	.45%
General Fund money market	691,549	.50%
Payroll checking	17,521	N/A
Brownfields checking	0	N/A
General Fund money market	850,316	.50%
General Fund checking	17,240	N/A
Total	\$1,777,413	N/A

In addition to checking and money market accounts, the SEIERA has purchased CDs with General Fund monies and, at June 30, 2009, maintained CDs with balances totaling about \$4.9 million with interest rates ranging from 1 percent to 3.9 percent.

The SEIERA has maintained amounts in the bank accounts in excess of immediate needs and not maintained documentation to support investment decisions. We reviewed the bank statements and expenditures for the 12 months ending June 30, 2009, and noted the average month-end account balances totaled about \$1,160,000 while average monthly expenditures from all funds for the period totaled only about \$120,000. The SEIERA's finance officer indicated the account balances were larger during this period because extraordinary expenditures were anticipated due to changes that were needed in the SEIERA's investment structures for its bonds; however, he



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maintained no documentation of his analyses during this period of the available funds and expected revenues and expenditures to support the investment decisions.

Maintaining excessive balances in relatively low yield checking and money market accounts deprives the SEIERA of additional interest earnings. The SEIERA should review and document its financial position and expected revenues and expenditures on a weekly or monthly basis and balances in excess of short-term needs should be invested.

Recommendation

The SEIERA perform and document periodic reviews of its financial position and invest balances to maximize interest earnings.

Auditee's Response

We agree. Though spreads between allowable investments rates and money market rates are relatively small at present. We will perform more timely analysis and better document liquidity decisions and strategies for the Board and the Board Treasurer.

State Environmental Improvement and Energy Resources Authority

Organization and Statistical Information

The State Environmental Improvement and Energy Resources Authority (SEIERA) was created in 1972 as a governmental instrumentality of the state of Missouri and a body corporate and politic pursuant to Sections 260.005 through 260.125, RSMo. The SEIERA is governed by five members appointed by the Governor. The SEIERA is administratively placed in the Missouri Department of Natural Resources (DNR). The SEIERA is authorized to finance, acquire, construct and equip projects for the purpose of:

- Reducing or preventing pollution to air, land, and water resources.
- Disposing properly of sewage and solid waste.
- Furnishing water facilities and solid waste recycling facilities.
- Developing energy resources and providing for energy conservation and efficiency.

Most of the SEIERA's water, sewer, and energy projects are financed through the issuance of tax-exempt revenue bonds. The SEIERA issues these bonds on behalf of local governments, school districts or private entities. The SEIERA receives fees for services provided in the issuance process. Additionally, the SEIERA provides financial assistance and technical assistance to businesses for recycling purposes and offers loans to businesses for cleanup of contaminated sites.

The SEIERA, in cooperation with the Department of Natural Resources, established and operates the State Revolving Fund (SRF) Program which provides financing to communities and districts for construction of wastewater and drinking water projects. The SRF program was developed pursuant to Title VI of the Clean Water Act and was formally approved in 1990 by the Missouri Clean Water Commission and the U.S. Environmental Protection Agency (EPA). Pursuant to amendments to the federal Safe Drinking Water Act in 1996, the DNR and authority expanded the program to include drinking water projects. The SEIERA's SRF program is a loan, not grant-based, program. The program enables communities to borrow for terms not to exceed 20 years on a subsidized tax-free basis. Currently, the SRF subsidy is 70 percent of current market interest rates for participants. The monies in the fund can be reloaned or "revolve" in perpetuity for the benefit of other communities. The bonds are conduit debt and the SEIERA has no liability for repayment of the debt, which is the responsibility of program participants. The program is funded through a combination of federal capitalization grants and state matching funds. The SEIERA has issued SRF bonds totaling about \$1.9 billion since 1990, of which about \$1.28 billion were outstanding as of June 30, 2009. The SEIERA issued about \$205.7 million of these bonds during the 3 years ended June 30, 2009.

The SEIERA, in cooperation with the DNR's Energy Center, developed the Missouri Energy Efficiency Leveraged Loan Program in 2001 to provide



State Environmental Improvement and Energy Resources Authority Organization and Statistical Information

funds to city and county governments and public school districts for energy efficiency improvements in facilities or buildings. The SEIERA had issued Energy Efficiency bonds totaling about \$33.5 million since 2002 of which about \$20.7 million were outstanding as of June 30, 2009. No Energy Efficiency Bonds were issued during the 3 years ended June 30, 2009.

The SEIERA offers financial assistance to entities through tax-exempt private activity bonds for qualifying pollution control projects. These projects are regulated by federal and state laws and may consist of issuing nontaxable bonds, floating or fixed-rate notes, short-to-intermediate term bonds, and long term bonds. These bonds and notes are not liabilities of the SEIERA or the State, but are the liability of the organization to which title of the project passes. The SEIERA had issued private activity notes and bonds totaling about \$3.2 billion since 1973, of which about \$624 million were outstanding as of June 30, 2009. The SEIERA issued about \$153.4 million of these bonds during the 3 years ended June 30, 2009.

Pursuant to Section 260.335 RSMo, the SEIERA, in cooperation with the DNR and Department of Economic Development, established and began operating the Market Development Program (MDP) in 1992 to provide financial assistance to start-up and existing Missouri businesses to use waste as raw materials to make products that are purchased and used by consumers. The SEIERA, through the MDP, also works directly with Missouri manufacturers to overcome technical barriers to increasing the use of recovered materials through customized programs in areas such as plant layout, product feasibility, market research and product design and development. The MDP is allocated \$800,000 annually from the Solid Waste Management Fund. Since 1992, the MDP has approved financial assistance to businesses totaling about \$8.1 million, of which about \$970,000 was approved during the 3 years ended June 30, 2009.

In 2005, the SEIERA was awarded a \$1 million grant by the EPA to establish, in cooperation with the DNR, the Brownfields Revolving Loan Fund from which the SEIERA provides loans and sub-grants to entities to support cleanup activities for sites contaminated with petroleum and hazardous substances. As of June 30, 2009, the SEIERA had issued one grant of \$65,000 and approved loans and grants totaling about \$732,000 under this program.

In accordance with agreements between the SEIERA, DNR, Public Service Commission, and various public utilities, the SEIERA holds monies paid by the utilities for distribution to weatherization agencies to benefit low-income utility consumers. The SEIERA disburses the monies to the weatherization agencies as directed by the DNR. At June 30, 2009, the SEIERA held weatherization monies totaling about \$2.9 million.



State Environmental Improvement and Energy Resources Authority Organization and Statistical Information

The SEIERA has also conducted studies as requested by the General Assembly on energy and environmental issues, including energy usage and efficiency and solid and hazardous waste.

The members of the authority at June 30, 2009, were:

Name	Term expires
Robt C. Kramer, Chairman	January 22, 2010
Ryan Doyle, Vice-chairman (1)	January 1, 2008
Jason M. Morgan, Secretary (1)	January 22, 2009
Deron L. Cherry, Treasurer (1)	January 22, 2007
Vacant (2)	n/a

- (1) Member continues to serve until a replacement is named.
- (2) LaRee DeFreece was appointed to this position in October 2009 and her term expires January 1, 2011.

Tom Welch has served as the SEIERA's Director since June 1998. Additionally, the authority employs 7 staff to conduct the day to day business of the SEIERA.

A summary of the SEIERA's financial activity is presented in the following appendixes.

Appendix A

State Environmental Improvement and Energy Resources Authority Comparative Statement of Net Assets

		June 30,		
		2009	2008	2007
Assets				
Cash	\$	1,722,339	814,255	856,025
Investments		4,928,196	6,054,168	5,701,671
Accounts and grants receivable		446,602	198,276	443,282
Accrued interest		4,366	10,237	14,416
Prepaid and other assets		2,814	2,814	2,814
Capital assets, net		2,508	7,376	10,430
Total assets		7,106,825	7,087,126	7,028,638
Liabilities				
Accounts payable		104,875	140,715	211,473
Accrued liabilities		50,093	46,899	41,467
Total liabilities		154,968	187,614	252,940
Net Assets				
Invested in capital assets		2,508	7,376	10,430
Unrestricted		6,949,349	6,892,136	6,765,268
Total net assets	\$	6,951,857	6,899,512	6,775,698

Source: Excerpt from SEIERA's audited financial statements

Notes: During fiscal 2008, the Authority's General Fund incurred certain legal and financial expenses totaling \$40,000 which were reimbursed by DNR in fiscal 2009. Although the expenses were recorded in fiscal 2008, the corresponding receivable and revenue were not. The net assets at the beginning of fiscal year 2009, \$6,899,512, were adjusted by \$40,000 resulting in the restated beginning net assets of \$6,939,512.

This statement combines the assets, liabilities, and net assets of the SEIERA's General Fund, Market Development Fund, and Missouri Brownfields Revolving Loan Fund.

Appendix B-1

State Environmental Improvement and Energy Resources Authority
Statement of Activities
Year Ended June 30, 2009

Functions/Programs		Program Revenues		Net Revenue (Expense) and Changes in Net Assets		
		Expenses	Charges for Services		Operating Grants and Contributions	
General Operations	\$	736,086	545,319	0	\$	(190,767)
Market Development		632,205	0	632,925		720
Missouri Brownfields Revolving Loan Fund		85,584	0	77,615		(7,969)
Total Governmental Activities	\$	1,453,875	545,319	710,540		(198,016)
General revenues:						
		Investment income			\$	210,361
		Miscellaneous income				0
		Total general revenues				210,361
		Change in net assets				12,345
		Net assets, beginning of year				6,899,512
		Prior period adjustment				40,000
		Net assets, beginning of year, as restated				6,939,512
		Net assets, end of year			\$	6,951,857

Source: Excerpt from SEIERA's audited financial statements

Appendix B-2

State Environmental Improvement and Energy Resources Authority
Statement of Activities
Year Ended June 30, 2008

Functions/Programs		Program Revenues		Net Revenue (Expense) and Changes in Net Assets
		Expenses	Charges for Services Operating Grants and Contributions	
General Operations	\$	776,354	605,206 0	\$ (171,148)
Market Development		638,573	0 637,013	(1,560)
Missouri Brownfields Revolving Loan Fund		77,868	0 74,854	(3,014)
Total Governmental Activities	\$	1,492,795	605,206 711,867	(175,722)
General revenues:				
		Investment income		\$ 297,836
		Miscellaneous income		1,700
		Total general revenues		299,536
		Change in net assets		123,814
		Net assets, beginning of year		6,775,698
		Net assets, end of year		\$ 6,899,512

Source: Excerpt from SEIERA's audited financial statements

Appendix B-3

State Environmental Improvement and Energy Resources Authority
Statement of Activities
Year Ended June 30, 2007

Functions/Programs		Program Revenues			Net Revenue (Expense) and Changes in Net Assets
		Expenses	Charges for Services	Operating Grants and Contributions	
General Operations	\$	643,200	708,710	0	\$ 65,510
Market Development		900,855	0	934,235	33,380
Missouri Brownfields Revolving Loan Fund		32,520	0	32,144	(376)
Total Governmental Activities	\$	1,576,575	708,710	966,379	98,514
		General revenues:			
		Investment income			\$ 297,255
		Miscellaneous income			202
		Total general revenues			297,457
		Change in net assets			395,971
		Net assets, beginning of year			6,379,727
		Net assets, end of year			\$ 6,775,698

Source: Excerpt from SEIERA's audited financial statements