

**COUNTY OF DUTCHESS,
NEW YORK**

*New York State Department of Transportation
Financial Assistance Schedule for the
Year Ended December 31, 2015 and
Independent Auditors' Report*

COUNTY OF DUTCHESS, NEW YORK
Table of Contents
Year Ended December 31, 2015

New York State Department of Transportation
Draft Part 43 of NYCRR Schedules and Reports:

Independent Auditors' Report on Compliance for New York State Department of Transportation Assistance Expended and Report on Internal Control Over Compliance in Accordance with Draft Part 43 of NYCRR	1
Schedule of New York State Department of Transportation Assistance Expended.....	4
Notes to Schedule of New York State Department of Transportation Assistance Expended	5
Schedule of Findings and Questioned Costs of New York State Department of Transportation Assistance Expended	6

Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
NEW YORK STATE DEPARTMENT OF TRANSPORTATION ASSISTANCE
EXPENDED AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH DRAFT PART 43 OF NYCRR**

Honorable County Executive and County Legislature
County of Dutchess, New York:

Report on Compliance for New York State Transportation Assistance Programs

We have audited the County of Dutchess, New York's (the "County") compliance with the types of compliance requirements described in Draft Part 43 of the New York State Codification of Rules and Regulations ("NYCRR") that are applicable to each state transportation assistance program tested for the year ended December 31, 2015. The program tested is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the laws, regulations, contracts and grants applicable to its state transportation assistance programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the County's program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Draft Part 43 of NYCRR. Those standards and Draft Part 43 of NYCRR require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a state transportation assistance program tested has occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each state transportation assistance program tested. However, our audit does not provide a legal determination on the County's compliance.

Opinion

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its state transportation assistance programs tested for the year ended December 31, 2015.

Other Matters

The results of our auditing procedures disclosed an instances of noncompliance with the compliance requirements referred to above that is required to be reported in accordance with the NYCRR and which is described in the accompanying schedule of findings and questioned costs as item 2015-001. Our opinion on each of the state transportation assistance programs is not modified with respect to this matter.

The County's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with requirements that could have a direct and material effect on each state transportation assistance program tested as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each state transportation assistance program tested and to test and report on internal control over compliance in accordance with Draft Part 43 of NYCRR, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a state transportation assistance program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state transportation assistance program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state transportation assistance program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Schedule of State Transportation Assistance Expended

We have audited the financial statements of the County as of and for the year ended December 31, 2015, and have issued our report thereon dated September 19, 2016, which contained an unmodified opinion on those financial statements, with the exception of a qualified opinion on the aggregate discretely presented component units, and refers to other auditors. Our audit was conducted for the purpose of forming an opinion on the County's financial statements as a whole. The accompanying Schedule of New York State Department of Transportation Assistance Expended is presented for purposes of additional analysis as required by Draft 43 of NYCRR, and is not a required part of the basic financial statements. Such

information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of New York State Department of Transportation Assistance Expended is fairly stated in all material respects in relation to the financial statements as a whole.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Draft Part 43 of NYCRR. This report is for the information and use of the County Legislature, County management, the New York State Department of Transportation, and the Office of the State Comptroller of the State of New York. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature of Duesch & Malach LLP in cursive script.

September 19, 2016

COUNTY OF DUTCHESS, NEW YORK
Schedule of New York State Department of Transportation Assistance Expended
Year Ended December 31, 2015

<u>Program Title / Description</u>	<u>NYSDOT Contract Number</u>	<u>Reference Number</u>	<u>NYSDOT Expenditures</u>
Consolidated Highway Improvement Program ("CHIPS")	N/A	N/A	\$ 4,005,042
State Transit Operating Assistance	N/A	N/A	1,904,569
Highway Planning and Construction Program	various*	N/A	628,588
Airport Improvement Program			
	N/A	3-36-0100-37-11	\$ 455
	N/A	3-36-0100-39-13	182
	N/A	3-36-0100-41-14	66,963
	N/A	3-36-0100-42-14	2,999
	N/A	3-36-0100-43-14	<u>3,299</u>
Total Airport Improvement Program			73,898
Transit Cluster			
	K007054	NY-90-X759	3,077
	K007064	NY-90-X669	10,880
	K007064	NY-04-0076	255,639
	K007064	NY-04-0085	4,761
	K007054	TC-13-DUT	4,810
	K007150	ATC-15-DUT	41,718
	K007150	ATC-15-DUT	7,306
	K007150	NY-90-X728	15,791
	K007150	NY-90-X759	39,890
	K007150	NY-90-X760	82,627
	N/A	N/A	201,500
	R15-0870	N/A	342,282
	R15-1178	N/A	375,000
	R15-2650	N/A	375,000
	R15-4133	N/A	375,000
	R15-5489	N/A	<u>375,000</u>
Total Transit Cluster			<u>2,510,281</u>
Total New York State Department of Transportation Assistance Expended			<u>\$ 9,122,378</u>

* Highway Planning and Construction Program Contract Numbers: D12242, D17604, D22359, D22362, D24572, D24641, D24642, D24643, D24647, D24757, D24758, D24760, D31582

See notes to Schedule of New York State Department of Transportation Assistance Expended.

COUNTY OF DUTCHESS, NEW YORK
Notes to Schedule of New York State Department of Transportation Assistance Expended
Year Ended December 31, 2015

1. BASIS OF PRESENTATION

The accompanying Schedule of New York State Department of Transportation (the "NYSDOT") Assistance Expended includes the financial assistance provided by NYSDOT. Amounts shown on the Schedule include adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

The accompanying schedule is presented on the modified accrual basis of accounting.

2. MATCHING COSTS

Amounts identified as Highway Planning and Construction Program and Airport Improvement Program represent matching costs for federally aided projects.

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COUNTY OF DUTCHESS, NEW YORK
Schedule of Findings and Questioned Costs
New York State Department of Transportation Assistance Expended
Year Ended December 31, 2015

Part I. SUMMARY OF AUDITOR’S RESULTS

New York State Department of Transportation Assistance Expended:

Internal control over major programs:

- | | | | | |
|---|-------|-----|---|---------------|
| 1. Material weakness(es) identified? | _____ | Yes | ✓ | No |
| 2. Significant deficiency(ies) identified not considered to be material weakness(es)? | _____ | Yes | ✓ | None reported |

Type of auditors’ report issued on compliance for programs tested:	Unmodified
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- | | | | | |
|---|-------|---|-----|----|
| 3. Any audit findings disclosed that are required to be reported in accordance with Draft Part 43 of NYCRR? | _____ | ✓ | Yes | No |
|---|-------|---|-----|----|

4. Identification of State Transportation Assistance Program tested:

Name of Program

Consolidated Highway Improvement Program (“CHIPS”)

Part II. COMPLIANCE FINDINGS AND QUESTIONED COSTS

Finding 2015-001—Capital Expenditure Coding of Accounts

Criteria—Per CHIPs program guidelines; capital expenditures are to be classified in the Uniform Accounting System in account 5112.2 permanent improvements.

Condition and Context—During detail testing of the CHIPs expenditures associated with easements were not being properly recorded within account 5112.2 of the County’s accounting system.

Effect or Potential Effect—Without recording CHIPS expenditures separately from other County activity, the County increases the risk of misidentifying reimbursable claims under NYSDOT guidelines.

Cause—Lack of oversight with regard to tracking and recording CHIPs expenditures.

Recommendation—We recommend that the County more closely track expenditures associated with the CHIPs program to ensure that they are properly being accounted for.

View of Responsible Officials and Corrective Action Plan—The County has created a separate account to track CHIPS expenditures associated with easements of capital projects.

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