

Audit Report

Dutchess County Soil and Water Conservation District
January 1, 2012 – December 31, 2012

Table of Contents

Comptroller's Summary 3

 Background/Organization..... 3

 Audit Scope, Methodology and Objective 3

 Summary of Findings 3

 Financial Reporting..... 3

 Account Review..... 4

Exhibit I..... 7

Exhibit II..... 8

Comptroller's Summary

Background/Organization

The Dutchess County Soil and Water Conservation District (DCSW) established in 1945 and authorized by State statute, coordinates state and federal conservation programs on a local level. The DCSW provides education and technical assistance on managing soil, water and related natural resources to municipalities, farmers, business owners and homeowners. Additional information is available on the Dutchess County Soil and Water's website: www.dutchessswcd.org.

Audit Scope, Methodology and Objective

An audit was conducted of the Dutchess County Soil and Water Conservation District (DCSW) for the period January 1, 2012 through December 31, 2012. During the audited period, Dutchess County appropriated \$235,000 to DCSW. The Dutchess County Department of Planning and Development is responsible for the distribution and oversight of these funds.

The audit included a review of:

- The Annual Report of the Treasurer to New York State
- Policies and Procedures, Cash Handling
- Claiming documents, payroll records including W-2s and tax documents
- Selected expenditures and receipts

Summary of Findings

- ❖ The preparation of the Annual Report of the Treasurer to NYS using the modified accrual accounting method continues to be challenging for DCSW due to limited guidance from NYS.
- ❖ All accounts receivable and accounts payable entries were not input into the agency's software system resulting in differences in the financial reporting.
- ❖ Fees were incurred on late payments for Federal payroll tax and NYS retirement costs.

Financial Reporting

The 2012 DCSW *Annual Report of the Treasurer to New York State* is the required document detailing DCSW's consolidated financial information.

Revenues reported in 2012 totaled \$802,057 and expenses totaled \$769,750 resulting in an unassigned appropriated fund balance of \$32,307 (*accrual basis*). The Revenue and Expense Schedule is shown as Exhibit I. The Operating Fund Balance Sheet as of December 31, 2012 is shown as Exhibit II.

Observations:

- Over the past three years, NYS has requested the gradual transition to modified accrual accounting for the annual financial report. DCSW utilizes cash basis accounting during the

year. At year end, expenses incurred but not yet paid and revenue earned but not yet received should be accrued.

- This transition has been challenging for DCSW as guidance from NYS has been limited.

Findings

- In 2012, approximately \$20,494 reported in expenses and \$34,516 reported in revenue belonged to prior periods.
- All expenses and revenues were not captured for accrual in the current year.

Note: Findings during the audit were reviewed with DCSW staff and corrections were made to the financial records. The annual Treasurer's report to NYS was corrected after an adjusted accrual trial balance was obtained.

Recommendations

- Expenses and revenues belonging to prior periods must be processed in the accounting software at year end and beginning of each year to comply with the modified accrual method as required by the NYS Soil & Water Conservation Committee.
- A review form should be developed to assist staff in the year end close out process and to ensure all entries are captured.

County Appropriation

The 2012 Dutchess County Appropriation for DCSW was \$235,000. Claims made to Dutchess County were for personnel services and fringe benefits and charged to the following programs:

	Claimed and Paid
Agriculture Environmental Management Program	\$71,000
Community Environmental Management Program	73,000
Education Program	21,000
Hydrological Habitat Modification	70,000
Total Personnel & Fringe Benefits	\$235,000

Account Review

Personnel Associated Expenses

Observations:

- Employee wages for 2012 amounted to \$433,076.97; there were nine employees and two interns. Federal and State payroll tax remittances were reviewed for accuracy and timeliness in submittal.
- The annual NYS retirement payment was assessed at \$66,806 with a due date of February 1, 2013.
- The District pays for employee health Insurance costs at 100% for single plan coverage and for other plans the single rate plus 50% of the difference between the single plan and plan of choice.
- A health insurance buyout is also offered; in 2012 the Board approved to reimburse those individuals who selected the health insurance buyout at 65.8% of District health insurance costs and 62% for 2013.

- In the minutes dated March 29, 2012, the Board approved salary increases of 3% for District staff.
- Employees are permitted to carry 100 vacation hours into the following year.

Findings

- The Federal payroll tax payment due for pay period #9 in 2012 was not timely. To date, a late fee has not been assessed for this payment. In 2012, a late fee of \$358.16 was paid to the US Treasury for late payment on a 2011 Federal payroll tax payment.
- NYS retirement costs in the amount of \$66,806 for 2012 were due February 1, 2013. Payments were made on February 13, 2013 for \$20,000 and on March 11, 2013 for \$47,140.03 which included an interest penalty of \$334.03 for 24 days; additional interest owed at the rate of \$9.82 per day will accumulate from February 26, 2013 until receipt by the NYS Retirement system. In 2012, \$149.19 in late fees was incurred for the 2011 retirement payment.
- There was an error in the calculation of salary increases resulting in a total amount of \$344.41 being overpaid to employees.
- Employee records for the carryover of vacation time were not adjusted down to the maximum of 100 hours when applicable.

Recommendations

- DCSW should ensure payroll tax payments are paid on time to avoid interest and penalties.
- Payments to the NYS retirement system should not be paid late and the early payment option should be utilized to realize savings, if cash flow permits.
- The Board should decide if overpayments need to be recovered from employees. Staff informed us the Board approved the staff keeping the \$344.41 at the March 20, 2013 meeting.
- Employee's available time should be reviewed and corrected to comply with the District's policy. Written approval should be obtained when the policy requirement is waived.

Credit Card Purchases

Soil and Water has two credit card accounts; each authorized employee is assigned a card. Expenses charged to the credit card included: meetings, conferences, outside travel, accommodations, internet purchases and office supplies. Documentation supporting each expense charged was verified to the credit card statements for selected months.

Finding

- Sales tax was paid on hotel accommodations and purchases with vendors within New York State.

Recommendation

- Sales tax exemption status should be utilized.

Maintenance Fee

Soil and Water has an agreement with Cornell Cooperative Extension of Dutchess County to share expenses for maintenance of the Farm and Home Center Building; in 2012 the maintenance fee totaled \$4,337.19.

Inventory

In 2012, DCSW charged \$16,584 to the account line "Computer/Other Equipment"; equipment purchases were not capitalized. This amount was expensed as follows:

Laptop plus Software	\$2,146
Printer plus supplies	320
Hand Held GPS Data Logger with accessories and software	12,700
Maintenance Agreement - Copier	640
Web Page	<u>778</u>
Total	<u>\$16,584</u>

The Inventory Worksheet attached to the Annual Report of the Treasurer contained 20 items for a total value of \$61,549; which included vehicles, telephones, computers and a GPS data logger.

Finding

- o DCSW does not maintain an accounting of equipment and related depreciation in the accounting software which results in an understatement of assets.

Recommendation

- DCSW should account for equipment purchases in relation to the established amount; annual depreciation should be recorded.

Inventory for Resale

The State does not require the Agency to report an inventory of items for resale which have a value of less than \$500. The cost of the annual seedling and minor sale inventory exceeded \$18,000 in 2012. DCSW charges inventories as expenditures, when purchased, and records revenues when sold.

IRS Form 1099 Misc

The IRS requires payments of \$600 or more to vendors be reported on IRS Form 1099 Misc. A review of payments made for contracted services was conducted with no discrepancies.

Exhibit I

INCOME

District Tree & Shrub Program	\$28,287
Interest & Earnings	46
Sale Of Supplies (Books & Maps)	50
Insurance Recovery	466
Workshop Registration	22,311
Ag Value -Soil Group Worksheet	6,640
Consultation /Site Visit	1,133
County Appropriation	235,000
Prior Year County Appropriation	4,516
State Grants/Reimbursements	488,127
Gifts & Donations	475
Training	7,149
Miscellaneous, Copies GIS	838
MS-4 Membership	7,000
Refund of Prior Year Expenses	<u>19</u>
Total Income	\$802,057

EXPENSE

Personal Services	\$433,077
Fringe Benefits	180,315
Equipment	16,584
District Tree & Shrub Program	18,901
Construction & Reforestation	2,094
Payments To Others for Workshop	32,578
Travel/Training Directors	5,134
Travel/Training Employees	20,113
Rent	4,337
Telephone/Internet	3,866
Office Supplies	4,055
Information & Education (Newsletters, field days envirothon)	2,731
Insurance	12,204
Dues	3,800
Miscellaneous	446
Vehicle Repairs	4,542
Vehicle Fuel	4,479
Adjustments - Prior Period Expenses	<u>20,494</u>
Total Expenses	\$769,750

Unassigned Appropriated Fund Balance \$32,307

Exhibit II

OPERATING FUND BALANCE			
ASSETS		LIABILITIES	
Cash	\$68,859	Accounts Payable	\$81,978
Petty Cash	100	Deferred Revenue	20,500
Total Cash	\$68,959	Payroll Liability	1,742
		Total Liabilities	\$104,220
Cash Special Reserves	\$13,495		
		Fund Balance Restricted	
Accounts Receivable	\$139,636	Cash Dedicated Funds	13,495
		Total Fund Balance Restricted	\$13,495
		Fund Balance Unrestricted	
		Fund Balance – Assigned Appropriated	72,068
		Fund Balance Assigned Un-appropriated	32,307
		Total Unrestricted	\$104,375
		Total Fund Balance	\$117,870
Total Assets	\$222,090	Total Liabilities & Fund Balance	\$222,090