

Audit Report

Cornell Cooperative Extension of Dutchess County

January 1, 2012 - December 31, 2012

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Background and Organization

Cornell Cooperative Extension Dutchess County, an organization associated with Cornell University and its land-grant mission since 1869, disseminates research-based resources, tools and education to the residents and officials of Dutchess County. Program areas include: Agriculture & Horticulture, Environment, Family & Consumer Education, and 4-H Youth Development. More information can be found at their website: ccedutchess.org.

In December 2012 the Executive Director retired. In January 2013 another Executive Director began employment.

Audit Scope

The audit of Cornell Cooperative Extension (CCE) was conducted for the period January 1, 2012 – December 31, 2012. In 2012, \$805,262 in funding was provided to CCE plus an in-kind rent of \$237,308 from Dutchess County for a total of \$1,042,570.

Contract #	Department	Program	Amounts
12-0280	Planning	Agricultural and Farmland Protection Board	\$1,000
10-0081	Office for the Aging	Grandparents Program	7,650
10-0121	Youth Bureau	Green Teen	12,000
11-0589	DCFS (DSS)	Food Stamp Nutrition Education (FSNEP)	247,993
12-0174	Planning	Agriculture/Horticulture	226,000
12-0174	Planning	Environment	85,000
12-0174	Youth Bureau	4-H Youth Development	150,619
12-0174	Health	Food, Nutrition and Wellness Program	75,000
		Sub Total	\$805,262
12-0174	Planning	In-Kind Rent	237,308
		Grand Total	\$1,042,570

The audit included a review of internal controls, contracts, claims, agency financial records and selected accounting activities. Attached as Exhibit I is CCE's Revenue and Expense Statement for 2012. A listing of contracts and a brief summary of each is attached as Addendum I.

Summary of Findings

- ⚡ A lack of oversight and monitoring of expenditures incurred and submitted to Dutchess County programs in 2012, resulted in disallowances totaling \$16,310.18 which was primarily for food purchases and \$126,191.45 for overcharges of indirect costs for a total of \$142,501.63.
- ⚡ A lack of oversight and monitoring of inventory processes resulted in the agency assets not consistently maintained in accordance with agency policies.

Detailed Findings

Claims and Contract Review

Prior to our audit review, a number of expense claims were denied by the Health Department. Criteria for reimbursement includes: expenses should be related to each program scope and are prudent and necessary to accomplish the program mission. Expenditures denied provided sole benefit to employees and/or were not directly related to individual program scope and guidelines. We conducted a detailed review of 2012 claims submitted to each county department: Department of Community and Family Services (formerly DSS), the Health Department, Office for the Aging, Youth Bureau (currently a division of DCFS) and the Department of Planning and Community Development. Each funding department was informed of the detail of expenditures being disallowed and in most cases was in agreement. In regards to the DSS FSNEP grant (Food Stamp Nutrition Education Program), which is federally funded via state pass-thru funding to DSS (currently DCFS), NYS provided guidance for disallowances. Disallowances by Department and funded program follow:

<u>Department</u>	<u>Contract #</u>	<u>Program</u>	<u>Contract Amount</u>	<u>Disallowed Amount</u>		
				<u>Direct Costs</u>	<u>Indirect Costs</u>	<u>Total</u>
Planning	12-0174	Environment	\$85,000.00	\$318.64	\$715.20	\$1,033.84
Planning	12-0174	Ag/Horticulture	226,000.00	281.47	1,877.39	2,158.86
Youth Bureau	12-0174	4H	150,619.00	5,520.77	1,265.91	6,786.68
Health Dept	12-0174	Nutrition	75,000.00	1,140.95	619.50	1,760.45
Social Services	11-0589	FSNEP	247,993.00	4,570.35		4,570.35
Youth Bureau	10-0121	Green Teen	12,000.00			
Office for the Aging	10-0081	Relatives as Parents	7,650.00			
Planning	12-0280	Ag Board	1,000.00			
Grand Totals			<u>\$ 805,262.00</u>	<u>\$11,832.18</u>	<u>\$4,478.00</u>	<u>\$16,310.18</u>

Cost Allocation of Indirect Expenses to County Contract # 12-0174

Indirect Costs totaling \$233,917 were expensed to **this contract**. Costs consisted primarily of agency administration and overhead. Indirect costs claimed to this contract were inequitably allocated as follows based on the total contract #12-0174 amount only:

Agriculture & Horticulture	\$226,000	42%
Environment	85,000	16%
Nutrition	75,000	14%
4H	<u>150,619</u>	<u>28%</u>
Total Contract	\$536,619	100%

An equitable distribution of indirect costs should have been allocated across the entire agency. In

reviewing the county funding revenue to the total agency revenue, the county funding represents 45%. This is an appropriate percentage to charge the county based on the agency costs allocated to programs.

All excess claiming above the 45% is disallowed based on the following indirect costs allocated to this contract.

	<u>Ag/Hort</u>	<u>Environment</u>	<u>Nutrition</u>	<u>4H</u>	<u>Amount</u>
Totals	\$96,825.57	\$36,857.83	\$33,791.20	\$66,442.40	\$233,917.00
Less Indirect Allowances	<u>(\$1,877.39)</u>	<u>(\$715.20)</u>	<u>(\$619.50)</u>	<u>(\$1,265.91)</u>	<u>(\$4,478.00)</u>
Adjusted total	<u>\$94,948.18</u>	<u>\$36,142.63</u>	<u>\$33,171.70</u>	<u>\$65,176.49</u>	<u>\$229,439.00</u>
Amount disallowed 55%	52,221.50	19,878.45	18,244.43	35,847.07	126,191.45
Amount allowed 45%	42,726.68	16,264.18	14,927.26	29,329.42	103,247.55

Anomalies were also noted when reviewing actual claimed expenses to CCE’s program budgets. Program budgets were not consistently presented; expense categories for administrative and overhead costs were amended when submitted for claiming as Direct costs. Agency costs claimed included: occupancy, program support (administrative salaries and expenses) and association fees.

Fund Balances

Fund balances reported by the agency were as follows:

<u>FUND</u>	<u>Fund Balance As of December 31</u>				<u>Difference</u>
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2011 – 2012</u>
Designated	\$ 424,188.86	\$ 106,920.79	\$ 141,332.78	\$350,509.72	\$209,176.94
General	26,234.64	351,372.51	346,563.85	150,739.36	(195,824.49)
Plant	<u>209,114.33</u>	<u>187,861.52</u>	<u>160,745.10</u>	<u>145,763.28</u>	<u>(14,981.82)</u>
Total	<u>\$ 659,537.83</u>	<u>\$ 646,154.82</u>	<u>\$ 648,641.73</u>	<u>\$647,012.36</u>	<u>(1,629.37)</u>

Banking and Cash Handling

Banking

CCE has five bank accounts. One checking account is used for the daily operations. One account was titled 4H Capital Campaign. The others were titled general or money market accounts. Three bank accounts had no activity in 2012.

A review was performed for adherence to CCE policies and procedures for banking including deposits, reconciliation and the handling of outstanding checks.

Observations:

A sample of county payments was traced to bank deposits. Deposits were made timely.

Findings:

- The bank reconciliation was not in balance as of December 31, 2012. *The agency found the difference in March 2013 and explained it was due to incorrect postings.*
- While the policy of CCE states the Executive Director or Treasurer review bank account/reconciliations monthly, there was no evidence this was consistently done. The board treasurer attested to the review of bank reconciliations in the latter part of 2012.
- CCE's policy to void outstanding checks after six months was not adhered to.
- Bank balances exceeded the FDIC limit of \$250,000. The average balance in the operating account in 2012 was \$325,000 per month. This was also noted in our previous audit.

Recommendations:

- Bank reconciliations should be reviewed and discrepancies researched and corrected in a timely manner. Oversight by management should ensure this is completed.
- The policy for bank reconciliation review and attestation should be adhered to.
- The outstanding check policy should be adhered to. Oversight by management is recommended.
- Bank account balances should be monitored to not exceed FDIC limits. *Note: During the audit, the Executive Director requested additional securities of \$155,000 in addition to the FDIC insurance of \$250,000 to cover the bank deposits/balances.*

Cash Handling - Receipts

Fundraising and program fees are collected for many of CCE's program areas. As the fiduciary of agency and 'club' funds, CCE should maintain proper internal controls over cash collections. Policies, procedures and internal controls were reviewed for the month of August 2012. Deposits reviewed included the Dutchess County Fair -4H snack bar receipts.

Finding:

- Cash collection procedures for the fair were not sufficiently implemented to secure and monitor funds. Specifically, procedures requiring dual signatures for each collection were not adhered to; cash register receipts were not compared to actual cash collections on a daily basis to reconcile

cash deposited; and a total of \$132 was not accounted for on one collection sheet and \$20 was reported as short on another collection sheet.

Recommendation:

- Detailed accounting procedures regarding the collection safeguarding and the monitoring and reconciliation of funds should be adhered to. *Risk assessments should be conducted periodically to ensure procedures are adequate to safeguard funds.*

Expenditure Review

Personnel Services

Cornell University processes the CCE payroll. The 2012 approved budget for salary amounted to \$988,463 of which \$273,956 is federally funded; \$208,930 is NYS funded; and \$505,577 is reported as other funding. Of these amounts Dutchess County provided \$514,264.88 through departmental contracts. (Federal, State and County as listed in Addendum I)

The Board voted on salary increases both in 2012 and 2013.

Employee and Vendor Payments

Observations:

- ◀ Many CCE employees have multiple mechanisms for purchasing items: Credit cards, established vendor accounts, employee reimbursements and direct vendor purchases. CCE typically employs 25 individuals: 12 of these individuals had a credit card issued to them, which allowed purchases up to \$2,500 each month per credit card/individual.
- ◀ CCE has many accounting policies and procedures which define what is to be charged to specific line items. CCE has job descriptions which detail roles and responsibilities. Levels of internal control are also established through policies and procedures which are local and established by Cornell.

Findings:

- While the agency maintains many accounting policies and procedures, practices for purchasing were not stringent to ensure purchases were limited and agency funds were utilized in a cost effective manner and in accordance to contract funding provisions and best practices.
- Accounting for agency expenditures for line items related to food were not consistently applied to the defined line items. For example, food purchases for staff were posted to the Nutrition line and in-county lunches for staff were applied to the Travel line.
- A refrigerator which was used for the entire agency was charged and disallowed by the DSS/Federal grant.
- Accounting staff were not familiar with all of the accounting policies and procedures despite access to training and manuals.
- Monitoring and oversight was not effectively exercised to ensure all accounting processes were followed regarding expenditures and claiming processes.

Recommendations:

- Accounting practices should be stringent to ensure funds are utilized in a cost effective manner and in accordance with agency provisions and funding provisions.
- Expenditures should be posted to the appropriate line items.
- Indirect costs should not be charged as direct costs.
- Accounting staff should know accounting policies and procedures.
- Monitoring and oversight should be effectively exercised to ensure all accounting processes are adhered to.

Inventory

CCE's procedure for Fixed Asset Subsidiary Listing was reviewed and a physical inventory was performed. CCE requires this fixed asset inventory listing of items over \$1,000. In addition, CCE maintains a separate listing of equipment of selected items costing \$1,000 or less which include computers, printers, ipads, cell phones etc.

Findings:

- The inventory listing was not maintained consistently. Some items (computers) were not on the inventory listing.
- The inventory listing did not have a record of serial numbers.
- Inventory tags were not on all of the items.
- According to staff, annual physical inventories were not consistently performed.
- Oversight was not evidenced to ensure inventories were accurate and policies were adhered to.

Recommendations:

- The inventory listing should be inclusive of all required items.
- All serial numbers should be included in the listing(s) for proper identification.
- All items should be tagged in accordance with the agency policy and procedures.
- CCE should perform an annual physical inventory to keep the listings up to date and accurate.
- Oversight of inventory should be instituted.

Exhibit I – Financial Statement

Cornell Cooperative Extension Association of Dutchess County Revenue and Expense for the period ending 12/31/2012

Revenue		
Federal	\$159,641.50	
State	233,060.69	
Fringe - Cornell	505,912.51	
Other Grants/Contracts	138,536.27	
County – includes In-Kind Building \$237,308	1,048,239.23	
Contributions	57,673.13	
Investment Income	119.47	
Fees/Regional Programs	60,764.21	
Rental Income	27,339.58	
Sales	58,693.73	
Other	<u>14,313.81</u>	
		\$2,304,294.13
Expenses		
Salaries	\$1,057,794.23	
Benefits – includes Cornell-Fringe	532,445.56	
Staff Development	10,385.20	
Awards & Prizes	14,554.53	
Computer	1,347.46	
Fund Raising	14,276.23	
Trips & Tours	29,695.52	
Telephone	25,486.53	
Supplies	62,219.19	
Insurance	19,723.10	
Fees & Licenses	4,521.40	
Lease and Rental – includes In-Kind Building	262,678.55	
Meetings & Conferences	12,240.01	
Travel	49,651.45	
Printing	20,936.64	
Classified	4,934.19	
Teaching Materials	27,679.18	
Contract Services	41,481.15	
Legal Fees	4,775.00	
Sales/Taxes	2,844.46	
Regional Support	29,089.05	
Association Services	11,360.00	
Facilities	49,193.56	
Other Monetary	(569.51)	
Depreciation	<u>17,180.82</u>	
		\$2,305,923.50
Decrease Net Assets		<u>(1,629.37)</u>

*The above represents CCE’s financials as presented to us. Please note that all purchases by CCE are expensed at the time they are purchased. Depreciation is not a true expense but is shown as reported by CCE.

Addendum I -Contract Review

Contract #12-0174—This contract was written for the period January 1, 2012 – December 31, 2012 in the amount of \$536,619. Funding was provided through various county departments (listed below). In addition, \$237,308 for in-kind rent of the county-owned building is included in the contract for a total value of \$773,927. This contract is 100% county funded.

Planning & Development in the amount of \$311,000: \$226,000 for Agriculture/Horticulture education and \$85,000 for Environment education. Funding provided for educational programming, resources and information for residents.

Health Department in the amount of \$75,000 for a Food, Nutrition and Wellness Program. This program includes Consumer education, Financial, Parent and family programs for county residents.

Youth Bureau in the amount of \$150,619 for 4-H Youth Development Program. This program is for youth 5-19 years old.

Contract #12-0280- This contract was funded through the Dutchess County Planning Department and written for the period January 1, 2012 – December 31, 2012 in the amount of \$1,000. This contract provided funding for the Agriculture and Farmland Protection Board. Funding provided for the review by the board of Ag Data statements, inclusions and for the preparation of the Purchase of Development Rights applications in order to protect agriculture in the county. This contract is 100% county funded.

Contract #10-0081- This contract was funded through the Dutchess County Office of the Aging Department and written for the period January 1, 2012 – December 31, 2012 in the amount of \$10,200: \$7,650 with a contractor match of \$2,550. This contract provided for workshops, support groups, respite and counseling to Grandparents over the age of 55 who are raising children. This contract is 100% federally funded.

Finding: Agency Match was not submitted properly to the Office for the Aging. CCE only submitted \$2,305.50 in matching funds out of the \$2,550 as required by the contract. During the audit, claims were re-submitted to detail the total agency match.

Contract #10-0121- This contract was funded through the Dutchess County Youth Bureau and was written for the period January 1, 2012 – December 31, 2012 in the amount of \$12,000 for the Green Teen Community Gardening Program. The focus is on gardening, nutrition and entrepreneurship. The total amount of the contract was claimed and paid for salaries. No discrepancies were noted.

Contract #11-0589- This contract was written for the period October 1, 2011 – September 30, 2012 in the amount of \$247,993. Funding is provided from the Department of Social Services for the operation of a Food Stamp Nutrition Education Program. This program targets the Department of Social Service food stamp recipients. The program's purpose is improving dietary quality, increasing the use of plant-based foods to prevent chronic diseases including obesity. The total amount of the contract was claimed and paid. This contract is 100% federally funded.