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November 15, 2013

James L. Coughlan, Comptroller  
Office of the Comptroller, Dutchess County  
22 Market Street  
Poughkeepsie, NY 12601

Dear Mr. Coughlan:

Thank you for the opportunity to respond to the financial audit of Cornell Cooperative Extension Dutchess County (CCEDC) for January 1-December 31, 2012. We appreciate the guidance and recommendations from your staff during the audit process to assist us in enhancing our fiscal operations.

Our responses to your audit findings and recommendations are as follows:

#### SUMMARY OF FINDINGS

CCEDC respectfully disagrees with your reconsideration of previously approved purchases totaling \$16,310.18 which were within the scope of services and budgets in duly executed and approved contracts and requests for reimbursement. Our more detailed response to this finding is set forth below.

CCEDC respectfully disagrees with your finding of \$126,191.45 for overcharges of indirect costs, which were within the scope of services and budgets in duly executed and approved contracts, and set forth in requests for reimbursement which were reviewed and consistently approved by Department funders. Our more detailed response to this finding is set forth below.

Your comments on Association inventory processes are appreciated. We plan to conduct more frequent inventories in the future and institute improved tagging of Association assets in conformance with Association policies.

## DETAILED FINDINGS

### **Claims and Contract Review**

You note that a number of expense claims were denied by the County Health Department prior to your audit and that those expenses provided sole benefit to employees or were not directly related to individual program scope and guidelines. Our records show that only \$77.00 in expenses were denied by the Health Department during the program year for the cost of background checks on volunteers working on the relevant programs. Due to our Association privacy policy regarding release of names, we accepted the disallowance.

We have reviewed the expense vouchers and supporting documentation for the other disallowed amounts and find that in the vast majority of cases, the approved, reimbursed expenses are consistent with relevant contract scopes of services and budgets and were in support of the program mission. For example, food purchases were part of delivery of programs such as light refreshments for attendees or volunteers. We document attendance at these meetings or training sessions and monitor expenses commensurate with the value to achieving program goals.

In light of your staff recommendations during the course of the audit, the CCEDC Board adopted a meal policy at its July 22, 2013 meeting for inclusion in HR Policy #504, Business Expenses, as follows:

*Business Meals – The Association will reimburse meal expenses not related to business travel when the majority of the attendees are stakeholders or volunteers, not CCE Dutchess County staff. A description of the business conducted or the agenda, as well as a list of attendees must be attached to the reimbursement request or voucher.*

All staff received a copy of the revised policy and related training at a full staff meeting.

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

We disagree with your finding that indirect costs were inequitably allocated to the county contract based on the percentage of county funding revenue to total agency revenue. This formula assumes that all items recorded as revenue are able to be assessed "indirect" costs. Fringe benefits totaling over \$500,000, and County Law 224 State appropriated dollars are provided by Cornell University acting as agent for the State and cannot and should not be assessed indirect costs.

The County appropriation actually leverages these State contributions, as well as the ability for CCEDC to receive additional federal Smith Lever dollars, again without possibility of charging an indirect cost against them. The State contribution of fringe benefits directly benefited the County in 2012 through a benefit of over 50% in overall

personnel cost savings for requested services to Dutchess County residents, businesses and officials.

While recognizing that our 2012 County contracts generally do not characterize or limit indirect costs in the manner you recommend, under our calculation, utilizing your allocation for indirect costs, does show our Association shared costs expensed to the County as proportionate to the County contribution to the Association's overall revenues that can be assessed an indirect rate:

Shared Association Costs charged to County:	\$233,917
Shared Association Costs charged to Non-County sources:	<u>30,364</u>
Total Shared Association Costs in 2012	\$264,281

Total Agency revenues that can be charged indirect costs:	\$1,069,658
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Total Association revenue from County (minus in-kind building)	\$ 805,262
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County funding as a percent of total Association revenue (minus in-kind building, federal Smith-Lever Funds, NYS County Law 224 funds, and State fringe benefit payments)	75%
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Therefore, using the formula you recommend, Association indirect costs to be charged to the County would amount to \$198,211. In our view, the small disparity of \$35,706 is more than offset by the benefits of the State and Federal dollars directly contributed as a result of the County appropriation. You note that "program costs were not consistently presented." Program costs were consistent with the particular contract against which costs were expensed. We agree that different categories for expenses for different programs as directed by County departments were unwieldy and made it difficult to compare indirect costs across different contracts.

### **Fund Balances**

No recommendations were made.

### **Bank and Cash Handling**

Thank you for your observations and recommendations on banking and cash handling. We will strive to review and correct discrepancies in a timely manner.

We have also instituted the practice of better documenting in the Finance Committee and Board minutes that the Treasurer has reviewed the bank statements reconciliations at the meetings. We are also committed to complying with the outstanding check policy and we are working to clear up any outstanding checks in conformance with applicable law and policy. Finally, we have entered into an arrangement with our primary bank to assure that we do not exceed FDIC limits and we are strictly monitoring our account balances.

## **Cash Handling – Receipts**

Thank you for your observations and comments on cash controls at the County Fair. In order to improve cash handling at the Fair, the Association opened a new account in a Rhinebeck bank to allow for daily deposits during the run of the Fair and to minimize the number of staff handling cash received from Fair activities. We also instituted a dual signature requirement for cash collections at the 2013 Fair.

## **Expenditure Review**

You find that purchasing practices were not sufficiently stringent. The Association requires a supervisor and Executive Director signed approval on all purchases, no matter the amount. Pre-purchase approval requests were also required in 2012 for any purchase over \$200.00.

We acknowledge your request to separate all food expenses from other meeting expenses. We are now recording food expenses separately for all contracts.

CCEDC follows GSA travel guidelines for meal expenses. These guidelines do not distinguish between in-county and out-of-county travel for purposes of meal allowances.

The finding that a refrigerator which was used by the entire agency was charged and disallowed by the DSS/Federal FSNEP grant is incorrect. A separate refrigerator used exclusively for the the FSNEP Program and located in a locked space away from the Association's shared break room was properly charged to the federal grant and was not disallowed by DSS.

We will assure that Finance staff receive appropriate training in the coming year. Beginning in October, 2013, the Shared Business Network CCE Finance Lead for the Hudson Valley Region will be providing training for all Association Finance Coordinators in the Region which will help assure consistent application of Cornell guidance on finance procedures.

Monitoring and oversight accounting processes has been a priority in 2013 as we adjust to new requirements and procedures from our County funders and integration with the Hudson Valley SBN. We have appointed a part-time grants administrator this year to assist with this oversight.

## **Inventory**

Thank you for your recommendations on improving our inventory listings. We have begun the process of collecting and recording serial numbers on relevant equipment and will schedule an annual physical inventory going forward. We note that Cornell policy does not require tracking of equipment with a value of less than \$1000. However,

in response to your recommendations, we created a list of such equipment which the Association has purchased beginning in 2012, and will continue to track such equipment purchases in the future. We also note that we have equipment such as furniture and file cabinets that date from as far back as the 1940s. Since we do not have serial numbers for this equipment, we have included them on our inventory with the Association tag.

On behalf of the CCEDC Board of Directors and staff, thank you for your observations and recommendations.

Sincerely,

A handwritten signature in cursive script that reads "Ruth A. Moore". The signature is written in black ink and is positioned below the word "Sincerely,".

Ruth A. Moore  
Executive Director

cc: J. Borchert, M. Manning, O. Petroff, R. Churchill