

Audit Report

**Cornell Cooperative Extension of Dutchess County
January 1, 2009 – December 31, 2009**

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Organization and Background

Cornell Cooperative Extension of Dutchess County (CCE) provides programs for individuals, families, businesses and communities in the areas of agriculture and horticulture, family and consumer sciences (food, nutrition and wellness; financial management; relatives as caregivers), 4-H youth development, and environment issues. Additional information is available on the website: <http://ccedutchess.org>.

Audit Scope, Objective and Methodology

The objective of our audit was to review the contract agreements for the period of January 1, 2009 through December 31, 2009, and the adequacy of internal controls over CCE's financial operations. CCE reported a total of \$1,695,579.35 in county funding for 2009, which included \$237,308.00 for in-kind space for the Farm and Home Center building.

Office for the Aging	\$ 23,116.00
Youth Bureau	336,424.00
Dept of Social Services	331,811.40
Health Department	125,809.00
Planning and Development	641,110.95
In-Kind Building	237,308.00
Total	\$1,695,579.35

We examined selected policies and procedures, financial records and performed limited transaction tests. Exhibit I is a summary of the agency's operations for 2009 and includes revenues and expenses for the entire agency. A summary of each County contract and the respective funds claimed is attached as Addendum I.

Summary of Findings

- Duties are not properly segregated for the preparation and review of financial entries, claims and financial statement preparation.
- Payroll recordkeeping regarding benefit time earned and used was not consistently maintained accurately and timely.
- IRS guidelines were not adhered to for employee cell phone reimbursements.
- Board approved procedures were not available for benefit time recordkeeping and employee cell phone reimbursements.
- Matching agency funds specified by county contracts were not easily traceable to CCE's accounting records.
- Revenue postings did not include year-end adjustments for individual programs.
- Funds held for restricted purposes were not segregated.

Detailed Findings

Control Environment

CCE's financials are prepared utilizing the Cornell University Financial Management Software. The Cornell University Financial Operations Resource Manual (FORM) contains policies and procedures to govern day-to-day operations.

Findings:

- There is not an adequate separation of duties for the preparation and review of financial entries, claims and financial statement preparation. One individual is responsible for the entries into the financial system, the preparation of funding claims and the preparation of monthly and year-end statements. In comparing county claims to agency financial records, we found:
 - All matching funds required by county contract agreements were not easily accounted for in the agency records. *CCE, during the audit, provided additional spreadsheets to justify agency matches.*
 - Revenue postings did not include year-end adjustments for individual program funding areas. As a result, ledgers did not match year-end financials and claims received.

Recommendations:

- CCE's management should address the need to provide additional fiscal monitoring procedures where duties are not segregated. We recommend monthly oversight procedures be implemented to review claims, ledger entries, and year-end financials. Specific attention is necessary to:
 - Ensure matching funds are recorded in the ledgers and traceable for claim review.
 - Ensure year-end revenue postings for individual program areas are accurate.

Communication

Communication within the organization is generally strong given their policy and procedure manuals and monthly board participation. However, we noted that the following procedures should be formally approved and documented by the Board.

Finding:

- Procedures regarding benefit time accounting and cell phone policies were not formalized by the Board. *Further review is reported under the Control Activities.*

Recommendation:

- Update policies and procedures specific to personnel benefit time accounting including roles and responsibilities, oversight and monitoring. Cell phone policies should be formally drafted by the Board and in compliance with IRS regulations.

Risk Assessment

Risk Assessment is an organization's ability to function effectively and efficiently.

Finding:

- Oversight was not in place to reveal that matching funds were not readily identifiable and that individual program revenue accounts did not accurately reflect year-end adjustments. As previously noted, the same individual is responsible for recording entries in the financial records and producing claims and year-end statements. *At the time of our audit, CCE relied on this same individual to produce the documents necessary to trace matching funds and program revenues.*

Recommendation:

- Management should assess and identify risks regarding financial recordkeeping including duty segregation. Additional oversight over fiscal reporting should be implemented to ensure all funding claims are traceable to agency revenue and expense accounts, and supporting documentation.

Control Activities

In response to our previous audit, Cornell designed and implemented additional policies and procedures for executing cash receipting. We sampled transactions to review the application of new policies and procedures.

Revenue and Cash Receipting practices

Revenue was received from government entities, grants and individuals for programs and operations. A total of \$3,127,518.36 was reported as revenue; of which, \$2,917,504.13 was reported as government and grant funding. Income documentation reviewed included a sampling of receipts, which were traced to the ledger accounts and bank deposits. Receipts are entered into Cornell's accounting software.

Findings:

- Deposits were made in a timely manner.
- As previously noted, revenue entries were not adjusted at year-end to reflect actual revenue received.
- While Cornell is now using the accounts receivable software module, they are not utilizing all of the processes. Specifically, when the receipt transmittals are entered into the system, the 'printing deposit slip' instruction which would document the day's total deposit is not being used resulting in an inability to trace the bank deposit to a specific date. There was no oversight in place by management to identify this weakness.

Recommendations:

- All revenue entries should be reviewed at year-end and adjusted as necessary to report actual funds received.
- To ensure all funds recorded are also deposited in the same time period, all functions in the software should be utilized. An oversight procedure should

be implemented to ensure procedures are followed and accurately executed.

Banking

Cornell maintains three bank accounts. One account is used for general operating and the other two accounts are not used.

The ending bank balances as of 12/31/09 totaled \$161,382.28 as follows:

Bank of Millbrook – operating account	\$109,719.60
M&T Bank	42,395.20
HSBC Bank	9,267.48
Total	\$161,382.28

Findings:

- Reconciliations were up to date and board oversight was evidenced by signature on each month's reconciliation.
- The agency maintains adequate control of outstanding checks.
- Two accounts did not have any activity in 2009.

Restricted Funds

Although Cornell has the capability to maintain restricted accounts in their accounting records, they instead record funds as designated accounts. According to Cornell University Financial Operations Resource Manual (FORM), restricted funds are funds that have their use restricted for a specific purpose by outside donors, organizations or grants.

Finding:

- Cornell did not use any 'Restricted' accounts despite availability in their accounting software. In addition, bank accounts were not used to segregate restricted funds. Fund-raising revenue and expenses for particular programs/purposes were co-mingled in the general operating bank account. Revenue and expenses for each fundraising effort were not clearly traceable.
 - *For example, Cornell had a fundraising venture for the repair of a barn. Funds were deposited in the operating account rather than a restricted bank account. The accounting records indicate the funds as designated; however, according to the agency, funds are available for general operations and were not restricted. In addition, expenses for these fundraising efforts were included in the general operating account.*

Recommendation:

- The agency should review each designated account and account for restricted funds separately through recordkeeping and, where necessary, maintain separate bank accounts to ensure funds are not co-mingled. All expenses for designated purposes should be properly allocated to the specific effort.

Expenses

Expenses claimed to Dutchess County were compared to the entries made in Cornell's ledgers. Exhibit II details a summary of each program's direct, administrative, operational and matched funding expenses claimed to Dutchess County.

Personnel Services including Benefit time review

Personnel services reported in the agency's financials were reported as \$1,512,163.21 for 2009. A total of \$1,122,115.67 for personnel services and fringe benefits were claimed to Dutchess County in 2009. This represents approximately 75% of the total funding that Dutchess County paid to Cornell in 2009. Personnel costs claimed to each county contract are identified in Addendum I with the respective contract. Personnel costs were traced to the agency's ledgers.

Benefit time review

Cornell's employees enter their time worked and benefit time used into the *Colts-payroll* software system. Operating procedures were reviewed for internal control.

Findings:

- There were no formalized written procedures regarding the preparation of employees benefit leave slips. For example, when employees call in sick, leave slips were not always completed.
- Employee time records for one month were reviewed with the following exceptions noted:
 - In 2010, there were 29 instances where benefit slips were not completed for time used.
 - Leave slips were not prepared in a timely manner.
 - The records for employee benefit time balances were not consistently updated.

Recommendations:

- Formal written procedures that include leave slip preparation should be developed, adhered to and up-dated periodically.
- Increased oversight of benefit leave recordkeeping should be implemented to ensure complete and accurate payroll records.
 - Controls should be implemented to ensure employees properly record their benefit time use.
 - CCE should establish monitoring procedures to ensure all employees submit leave slips in a timely manner.
 - Benefit time balances should be maintained in a timely manner.

Cell phone expense reimbursement

Selected Cornell employees receive a monthly mobile telephone usage expense reimbursement. Payments range up to \$20 per month. A total of \$1,960.00 was paid to nine employees in 2009 for this benefit.

Findings:

- A 'board approved' formalized written procedure for cell phone reimbursements was not in place. However, an internal memorandum from

the Program Director to the Executive Director is attached to each employee reimbursement to justify payment.

- Since reimbursements were not made from actual cell phone bills and Cornell did not have an IRS approved 'accountable plan' in place, this expenditure should have been reported on each respective employee's W-2. This was not done in 2009.

Recommendations:

- The board should establish a cell phone reimbursement policy.
- IRS requirements must be adhered to.

Statement of Operations
Cornell Cooperative Extension Dutchess County
12/31/2009

Revenues, Gains, and Other Support:		
Federal	\$44,996.18	
State	301,705.16	
Other Grants/Contracts	249,487.58	
Fringe Benefits through Cornell	634,267.06	
County Contracts	1,449,740.15	
County - In-Kind	<u>237,308.00</u>	
Total Government Entities/Grants		\$2,917,504.13
Contributions Unrestricted		55,670.83
Investment Earnings		268.31
Program/Operating Revenues		<u>154,073.08</u>
Total Unrestricted Revenues		\$3,127,516.35
 Expenses:		
Salaries	\$1,512,632.21	
Employee Benefits	33,311.68	
Program/Operating Expenses	634,267.06	
Awards & Prizes	16,666.03	
Fund Raising	10,627.63	
Trips & Tours	7,975.74	
Communication	36,865.18	
Supplies	70,107.40	
Insurance	20,373.91	
Lease & Rental	5,918.88	
Lease & Rental - In-Kind Rent	260,758.32	
Lease & Rental - Equipment/Vehicles	11,095.65	
Meetings & Conferences	43,436.43	
Mileage & Travel	65,626.54	
Equipment Non -Capitalized	19,928.62	
Printing	33,035.07	
Publicity	9,450.54	
Teaching Materials	21,185.18	
Contract Services	84,528.06	
Fees	8,200.00	
Other	19,095.87	
Enterprises - Cost of Sales	<u>1,928.50</u>	
Total Program/Operating Expenses		\$2,927,014.50
Grants & Contracts		93,316.95
Buildings & Grounds		40,607.80
Interest Expense		3,185.11
Expense of Fixed Assets -Depreciation		<u>37,281.68</u>
Total Expenses		\$3,101,406.04
Increase (decrease) in unrestricted net assets		<u>\$26,110.31</u>

Source: Final Statement of Operations approved at the March 2010 Board of Directors meeting

Exhibit II

DC Claims – 2009 Direct and Administrative Expense

	County Funded	Program	Admin	Organization Expense	County \$ used as match		Total Claimed
Contracts		Direct Expense 2009	Admin Expense 2009				
Office for the Aging Contract# 08-0010	\$7,650.00	\$7,110.00	\$540.00				\$7,650.00
Office for the Aging Contract# 05-0619	15,466.00	14,694.38	771.62				15,466.00
Youth Bureau Contract# 09-0167 – Green Teen	95,873.00	82,008.67		13,911.07			95,919.74
Youth Bureau Contract# 08-0102 – Green Teen Gardening Program	9,882.00	9,882.00			9,882.00	YB Green Teen	19,764.00
Youth Bureau Contract# 09-0167 4-H	230,669.00	178,817.42		52,166.53			230,983.95
Department of Social Services Contract# 07-0670 Food Stamp Programs	11,430.00	9,967.00	1,463.00				11,430.00
Department of Social Services Contract# 07-0670 FSNP	320,381.40	282,707.66	*189,043.41		13,552.00 & 155,459.61	NYS 224 & County	640,762.68
Health Department Contract# 09-0167	125,809.00	99,256.27		26,662.88			125,919.15
Planning Department Contract# 09-0167 Ag/Hort/Financial/ Envir	635,013.88	499,246.50		139,110.71			638,357.21
Planning Department Contract# 08-0661 Data Base	5,048.44	5,048.44					5,048.44
Planning Department Contract# 07-0270 Ag & Farm Board Exp	1,048.63	1,048.63					1,048.63
Total 2009 DC funded programs	\$1,458,271.35	1,189,786.97	\$191,818.03	\$231,851.19	\$178,893.61		\$1,792,349.80

Office for the Aging Contracts

Contract #08-0010- This contract was written for the period January 1, 2009 – December 31, 2009 in the amount of \$10,200.00: \$7,650.00 with a \$2,550.00 agency match. The purpose of this contract was to provide services to grandparents and other relative caregivers over the age of 55 who are raising children. This includes workshops, support groups, respite and counseling. A total of \$7,650.00 was claimed and paid in 2009 as follows:

	Counseling \$65/mo	Support Groups \$175/Group	*PASTA \$225/per hr	Total
Cost	\$780.00	\$4,200.00	\$5,250.00	\$10,230.00
Agency Match	\$211.50	\$1,056.00	\$1,312.50	\$2,580.00
Paid	\$568.50	\$3,144.00	\$3,937.50	\$7,650.00

*Parenting a second time around.

An example of the agency match stipulated in the contract and billed to the county required a total of \$16.50 deducted from each \$65/mo counseling fee resulting in Dutchess County's charge of \$48.75 for each counseling session. The agency reported the match was funded with a RAPP grant from Orange County. Expenses reported in CCE's financial records showed the actual expenses for this program as \$7,110.00 resulting in a profit of \$540.00. Per CCE, 71 people were served under this contract with 51 people eligible for county funding. The 20 people not funded were under 55 years of age and therefore not eligible for funding.

Contract #05-0619- This contract was written for the period April 1, 2008 – March 31, 2009 in the amount of \$15,466.00. The purpose of the contract was to provide a Health Insurance Information Counseling and Assistance Program. The total amount of the contract, \$15,466.00 was claimed and paid as follows:

Contracted Services	\$9,780.89
Supplies	2,587.09
Meetings	809.08
Teaching Material	1,090.68
Other	426.64
Administration	771.62
Total	\$15,466.00

Cornell reported materials were distributed to five libraries: Pawling, Millbrook, Millerton, Adriance and Tivoli and one seminar was held.

Youth Bureau Contracts

Contract #09-0167- This contract was written for the period January 1, 2009 – December 31, 2009. It provided for two youth programs: Green Teen in the amount of \$95,873.00 and a 4-H Youth Development program in the amount of \$230,669.00. Agency expenditures as shown below exceeded the contract funding.

	Green Teen	4-H Youth	Total
Salaries/Fringe	\$70,762.32	\$168,709.92	\$239,472.24
Travel	2,577.68	6,421.52	8,999.20
Training	333.98	1,529.62	1,863.60
Occupancy	2,087.18	5,937.12	8,024.30
Contractual	803.46	1,505.47	2,308.93
Operating	19,355.15	46,879.82	66,234.97
Total	*\$95,919.77	*\$230,983.47	\$326,903.24

**Final claims were reduced to pay contracted amount of \$95,873.00 and \$230,669.00.*

Cornell reported 264 youth were served in the Green Teen/Gardening program and 1,450 youth were served in the 4-H Youth program. These programs were 100% Dutchess County funded.

Contract #08-0102- This contract was written for the period January 1, 2009 – December 31, 2009 in the amount of \$9,882.00 for a hands-on community gardening program for at-risk youth. The agency was required to provide a 50% match which was provided through the above county funded Green Teen program (#09-0167). A total of \$19,764.00 was claimed. The Youth Bureau reimbursed 50% of these total expenditures for a total of \$9,882.00.

	Green Teen
Salaries	\$12,202.47
Youth Stipends	7,561.53
Total	\$19,764.00

Cornell reported a total of 264 youth were served under this program. This program was 100% New York State funded.

Department of Social Services Contract

Contract #07-0670- This contract was written for the period October 1, 2008 – September 30, 2009 in the amount of 338,620.00. The purpose of this contract was to provide 1) a Food Stamp Nutrition Education Program (FSNEP) for food stamp recipients and low income individuals to increase healthy eating and weight management practices; and 2) a Food Stamp Outreach Program to recruit

enrollments into the Food Stamp program through a one time education session in places where eligible people frequent. FSNEP required a 50% match while the Food Stamp Program was 100% reimbursable. The claims submitted were as follows:

	FSNEP	Food Stamp	Total
Personnel Services/Fringe	\$501,210.06	\$2,467.00	\$503,677.06
Travel	19,082.66		19,082.66
Equipment	29,005.39		29,005.39
Supplies	15,940.88	700.00	16,640.88
Contracted Service	25,258.80	6,800.00	32,058.80
Other	<u>50,264.89</u>	<u>1,463.00</u>	<u>51,727.89</u>
Total Expense	\$640,762.68	\$11,430.00	\$652,192.68
Total Paid	\$320,381.40	\$11,430.00	\$331,811.40

Cornell provided documentation at the time of the audit showing matched program expenses. Cornell reported 375 youth and 298 adults were served under this program.

Health Departments

Contract #09-0167- This contract was written for the period January 1, 2009 – December 31, 2009 in the amount of \$125,809.00 to provide workshops for the Food, Nutrition and Wellness Program. As in the DSS contract program above, this contract funded low income individuals who were not eligible for the food stamp program. The total amount of the contract was paid. Claims were as follows:

Personnel Service	\$92,556.97
Contractual	2,374.78
Equipment rental	1,035.86
Travel	1,887.91
Supplies	6,341.63
Training	1,206.36
Insurance	3,340.31
Other/Admin	<u>17,175.35</u>
Total	\$125,919.17
Total Paid	\$125,809.00

Cornell reported 1,595 adults and families, 455 youth and 4 school districts were served under this program. This program was 100% Dutchess County funded.

Department of Planning and Community Development Contracts

Contract #09-0167 This contract was written for the period January 1, 2009 – December 31, 2009 in the amount of \$657,827.00 and included \$237,308.00 for in-kind building use of the Farm and Home Center. The following program areas were delineated in the contract:

Agriculture/Horticulture	\$370,337.00
Financial Management	68,484.00
Environment	219,006.00
In-Kind Building	237,308.00
Total	\$895,135.00

The Agriculture Program focuses on sustaining agricultural; the Horticultural Program focuses on gardening topics, soil analysis, control of invasive plants and arthropods, pesticides; the Financial Management program focuses on family financial, nutrition, parenting and consumer needs; and the Environment Program educates on current environment issues which include land use decisions, protecting water resources, youth environmental education and ego system protection.

A total of \$635,013.88 was claimed and paid as follows:

	Agriculture/Horticulture	Financial	Environment	Total
Salary/Fringe	\$261,188.33	\$57,038.73	\$180,609.49	\$498,836.55
Utilities	7,368.06	1,429.62	4,398.84	13,196.52
Supplies	3,278.36	917.58	2,132.82	6,328.76
Operations	70,872.95	11,452.28	29,845.22	112,170.45
Travel	4,816.21	720.35	2,288.42	7,824.98
Total	\$347,523.91	\$71,558.56	\$219,274.79	\$638,357.26
*Paid	\$347,523.88	\$68,484.00	\$219,006.00	\$635,013.88

*Maximum contract budget

Cornell reported a total of 5,229 individuals were served for the Agriculture/Horticulture program and the Environment program served 740 adults and 205 youth. These programs were 100% Dutchess County funded.

Contract #08-0661 This contract was written for the period January 1, 2009 – June 30, 2009. This contract was originally written for the period January 1, 2008 – December 31, 2008 in the amount of \$12,400.00 to provide a Agriculture Database relating to farm size, activity and listings of tax parcels being farmed for a 8 year statistic and analysis review. \$4,165.68 was paid in 2008 and the contract

was extended into 2009 for the completion of the project. \$5,048.44 was paid in 2009 which continued to provide for equipment and software expenses. The project has been completed for a total of \$9,214.12. As part of the audit, equipment was inventoried and no discrepancies were noted.

Contract #07-0270 This contract was written for the period January 1, 2009 – December 31, 2009 in the amount of \$5,500.00 to provide the Agriculture and Farmland Protection Board funding requested by the County. In 2009, the contractor was reimbursed \$298.63 for mileage, parking and postage and \$750.00 for secretarial services: for a total of \$1,048.63.