

Audit Report

Cornell Cooperative Extension of Dutchess County

January 1, 2011 – December 31, 2011

Table of Contents

Organization and Background	3
Audit Scope, Objective and Methodology	3
Summary of Findings.....	3
Internal Controls	4
Accounting Records.....	4
Communication.....	4
Board Minutes Review	4
Detailed Findings	5
Revenue and Cash Receipting Practices	5
Banking	6
Expenses	7
Fund Balance Review	7
Exhibit I	9
Addendum I	10

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; relatives as caregivers), 4-H youth development and environment and energy 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 January 1, 2011 through December 31, 2011, and the adequacy of CCE's internal controls over CCE's current financial operations. Funding provided to CCE for contracts reviewed is shown below.

Department	Program	Contract Period	Total
Planning	Agriculture & Horticulture	Jan - Dec	\$185,000.00
Planning	Environment	Jan - Dec	110,000.00
	In Kind County Bldg	Jan - Dec	237,308.00
Youth Bureau	4H Youth Dev	Jan - Dec	150,000.00
Youth Bureau	Green Teen	Jan - Dec	8,600.00
Health	Food Nutrition	Jan - Dec	75,000.00
Social Services	Food Stamp Nutrition	Oct 10 – Sep 11	244,087.86
Office For Aging	Grandparent Caregiver	Jan - Dec	7,650.00
Total			\$1,017,645.86

Funding from County Contracts	Total
County Dollars	\$520,000.00
In Kind - County Bldg	237,308.00
State	8,600.00
Federal	251,737.86
Total	\$1,017,645.86

We examined selected policies and procedures, financial records and performed limited transaction tests. A summary of the agency's operations for 2011 which includes revenues and expenses is shown as Exhibit I. A summary of each County contract and the respective funds claimed is attached as Addendum I.

Summary of Findings

- Recordkeeping reviewed for 2011 was found to be in good order and additional procedures recommended in the prior audit were instituted.
- Review of all designated funds should be completed annually to accurately define programs which exist and to accurately report general unrestricted funds for agency use.

- The agency ended 2011 with a \$648,641.73 fund balance which was comprised of \$141,332.78 designated, \$346,563.85 general and \$160,745.10 plant.

Internal Controls

In accordance with generally accepted auditing standards, internal controls over financial reporting were reviewed. Current processes and procedures were reviewed as well as selected 2011 financial records.

Accounting Records

The business office functions of recording accounts payable, accounts receivable, payroll, bank reconciliations and financial statement preparation is primarily controlled by one individual (Accounts Representative).

Observations:

- An Accounts Representative was hired in May 2011 but resigned after working approximately one week. On June 6, 2011 a second individual was hired to fill the position. The new individual has been trained and has been regularly performing these duties.
- All transactions reviewed were posted as required.

Finding:

- The agency policy and procedures, F.O.R.M. Code 104, indicate a financial statement is required monthly. It was indicated by the agency that financial statements are reviewed with the Finance Committee and approved as part of the Finance Committee's report on a periodic basis. It was also found that this approval, when accomplished, was not noted in the board minutes. It was stated by the Executive Director that the Board and Finance Committee are working towards their goal of achieving monthly financial statements.

Recommendation:

- Monthly financial statements should be implemented and noted as reviewed in the monthly Board Minutes.

Communication

Communication within the organization is generally accomplished through staff meetings, policy and procedure manuals and monthly board meetings.

Board Minutes Review

Observations:

- Board minutes dated March 28, 2011 noted a one-time payment of \$3,000 was authorized for the Executive Director to compensate for performing the duties of

Interim 4-H Issue Leader. *This action was noted in the previous audit and has not occurred subsequently.*

- Board minutes dated April 25, 2011 indicated the Green Teen program in Poughkeepsie was closed. The CCE Board also approved transferring ownership of the Green Teen Shed located at the Family Partnership Center in Poughkeepsie to Family Services with the understanding the shed would be used for a minimum of five years for community gardening related endeavors. CCE provided an email dated March 17, 2011 requesting guidance from DC Planning on the disposition of the shed. Final approval from DC Planning was not received until March 7, 2012 and a letter also dated March 7, 2012 was sent to Family Services by the CCE Executive Director confirming the transfer. In a letter dated May 14, 2012, the Family Services' Director of Finance confirmed the use of the shed as follows: "Currently, the shed is in use by the Fall Kill Partnership Gardens program, a volunteer led community garden program..."
Finding: Documentation allowing the asset transfer was not accomplished from Dutchess County until this audit.
- Board minutes dated May 23, 2011 indicated \$26,427 was transferred from un-earmarked reserve funds to fund five administrative positions facing shortfall due to ESNY grant reductions.
- Board Minutes dated October 24, 2011 indicated there is a shortfall of funds (approximately \$11,600) in the Food Stamp Nutrition Education (FSNE) Grant to cover administrative staff. However, program staff was able to be shifted to other funding.
- Board minutes dated November 14, 2011 noted "two additional paid bonus days to be used between November 15, 2011 and January 31, 2012 prorated by FTE..." were approved by the Board. This resulted in 12 employees taking 24 days and one employee taking one day at a total salary cost to the agency of \$3,869.03.
- Board minutes dated December 12, 2011 indicated all staff will receive a 3% salary/wage increase or the 2012 CCE minimum, whichever is higher.

Detailed Findings

Revenue and Cash Receipting Practices

Revenue was received from government entities, grants and individuals for programs and operations. A total of \$2,554,911.31 was reported as revenue and transfers from fund balances; of which, \$2,246,029.17 was reported as government and grant funding. Income documentation reviewed included a sampling of receipts, which were traced to the ledger accounts, bank deposits and monthly bank statements. Receipts are entered into Cornell's accounting software.

Observations:

- Deposits were made in a timely manner.
- As of March 6, 2012, the 2011 Accounts Receivables have been reconciled and the Finance Coordinator was in the process of aging the receivables.

- A fundraising total of \$49,519.57 consisted of: Master Gardeners Plant and CD sales which raised \$30,322.58, and was designated for the Community Horticulture Program. Green Teen Community Gardening Salsa Sales raised \$2,126.99 and was designated for support of the Green Teen Community Gardening Program. The 4-H Snack Bar at the Dutchess County Fair raised \$17,050.97 and these funds were designated for the 4-H Youth Development Programs. An additional \$19.03 in general support for the agency was raised by hat sales.

Banking

Cornell maintains five bank accounts. One account is used for general operating and two accounts are money market accounts that had only interest transactions posted. The last two accounts were opened on May 13, 2011 with one being opened to hold 4-H Barn Raising Donations and the other to facilitate Pay Pal transactions.

The ending statement balances as of December 2011 totaled \$239,945.74 as follows:

Operating account	\$ 188,283.04
Money Market account	9,304.64
Money Market account	21,607.54
4-H Capital	19,820.44
Pay Pal	<u>930.08</u>
Total	<u>\$ 239,945.74</u>

Findings:

- Bank reconciliations were completed in a timely manner but were reviewed by a board member up to three months after the statements were received. The bank statements were signed but the reconciliations were not.
- The primary checking account ending balance exceeded the \$250,000 FDIC insurance limit in three of twelve months. The largest balance was \$326,950.21 in the month of June.
- The PayPal account, opened with \$1,000, is charged a monthly bank fee of \$17.50. The monthly fee was initially charged in September 2011. In addition, PayPal charges 30 cents plus 2.2% on each transaction. There were no transactions posted in 2011 and the Executive Director indicated that as of April 3, 2012 there were 7 transactions deposited for a total of \$635.

Recommendations:

- The review process should include bank reconciliations, bank statements and transactions. The bank reconciliation should be signed to indicate review. Reviews should be conducted in a timely manner for oversight.
- Bank balances should not exceed the \$250,000 FDIC insurance limits.
- A cost benefit analysis should be done to evaluate the benefit of accepting monies through the PayPal process.

Expenses

Selected expenses were reviewed and found to be well documented. A sample of 50 transactions with a total dollar value of \$73,831.41 was reviewed for documentation, authorization and issuance of IRS Form 1099 when required.

Finding:

- Check #15930 had a copy of the associated agency contract attached. The contract term was 1/19/11 – 12/31/11 with the vendor's invoice dated 12/16/10 for services in the amount of \$1,150 and dated 12/12/10, which is outside of the contract term.

Recommendation:

- A contract term should encompass the dates of service for expenses incurred and paid.

Fund Balance Review

<u>FUND</u>	<u>Fund Balance As of December 31</u>			<u>Difference</u>
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2009 to 2011</u>
Designated	\$ 424,188.86	\$ 106,920.79	\$ 141,332.78	\$ (282,856.08)
General	26,234.64	351,372.51	346,563.85	320,329.21
Plant	<u>209,114.33</u>	<u>187,861.52</u>	<u>160,745.10</u>	<u>(48,369.23)</u>
Total	<u>\$ 659,537.83</u>	<u>\$ 646,154.82</u>	<u>\$ 648,641.73</u>	<u>\$ (10,896.10)</u>

Observations:

- ❖ While the agency has experienced significant funding reductions, the agency's fund balance has remained steady with a significant increase in general funds which are not designated and are available to sustain operations.
- ❖ County appropriations have been reduced: however, a significant portion of funding reductions has been a result of federal/state pass-thru dollars which have been a result of program eliminations or downsizing based on necessity.

Plant

A review of the Plant fund from 2009 to 2011 showed a decrease of \$48,369.23. The agency explained a combination of continued depreciation, items disposed of in 2010 and fewer new purchases have resulted in a decrease in the Plant fund.

Specifically, the agency stated...

In 2009, the balance in the Plant fund totaled \$209,114.33 which included the purchase of a new greenhouse plus new computers/equipment totaling \$24,980.17 less depreciation of \$37,281.68. In 2010, the balance totaled \$187,861.52. This amount included new computers/equipment totaling \$13,415.53 less items disposed of totaling \$18,588.19 less depreciation of \$34,668.34. In 2011, Plant totaled \$160,745.10 which included the purchase of one new item for \$1,405 less depreciation of \$28,521.42.

Designated Funds/Unrestricted (General) Fund Balance

A review of the funds designated by the agency and general (unrestricted) funds for the time period 2009 - 2011 revealed the following based on information received from the agency:

Prior to 2009, CCE used Unrestricted Funds to update the agency's phone system and reception area, which led to a reduction in the general fund balance.

The significant reductions in county appropriations for 2010 and 2011 made it necessary for the agency staff and board of directors to increase general fundraising efforts in accordance with a new Fund Development Policy (effective in 2009). As a result, new grants were secured, fees for services continued and increased donations were received. These efforts plus frugality resulted in an increase in the Unrestricted Fund Balance.

Finding:

- Designated funds are comprised of over Fifty (50) funds which have historically developed but have not been individually reviewed for necessity. Funds for programming that has ceased may still be designated resulting in an overstatement of designated funds and an understatement of general funds.

Recommendation:

- An annual review should be conducted of designated funds to accurately report general and restricted funds.

Note: Based on an inquiry of the above, the agency reported:

- The agency is planning a review of Designated Unrestricted Funds during fiscal year 2012 to determine if any funds are inactive or can be combined with another fund due to a new (revised) Chart of Accounts.

Exhibit I

**Statement of Operations
Cornell Cooperative Extension Dutchess County
12/31/2011**

Revenues, Gains and Other Support:

Federal	\$88,736.54	
State	741,982.40	
County Contracts	991,243.82	
Other Grants/Contracts	186,758.41	
County-In-Kind	<u>237,308.00</u>	
Total Government Entities/Grants		\$2,246,029.17
Contributions Unrestricted	46,637.90	
Investment Earnings	29,894.03	
Program/Operating Revenues	<u>109,285.75</u>	
Total Unrestricted Revenues		<u>\$2,431,846.85</u>

Expenses

Salaries	\$1,006,098.29	
Employee Benefits	499,722.73	
Program/Operating Expenses	422,147.41	
Fund Raising	21,285.27	
Trips & Tours	9,786.56	
Communications	20,499.18	
Supplies	80,770.71	
Insurance	17,796.61	
Mileage & Travel	2,018.65	
Utilities	26,210.31	
Fees, Licenses, Taxes	<u>3,502.10</u>	
Total Program/Operations		\$2,109,837.82
Grants & Contracts	32,982.94	
Buildings & Grounds	20,709.76	
Expense of Fixed Assets - Depr	<u>28,521.42</u>	
Total Expenses		<u>\$2,192,051.94</u>
Increase (decrease) in unrestricted net assets		<u><u>\$239,794.91</u></u>

Addendum I

Department of Planning and Community Development Contracts

Contract #11-0145 – This contract was written for the period January 1, 2011 – December 31, 2011 in the amount of \$532,308 and included \$237,308 for in-kind County building use of the Farm and Home Center. The following program areas were delineated in the contract;

Agriculture/Horticulture	\$185,000.00
Environment	110,000.00
In-Kind -County Building	237,308.00
Total	<u>\$532,308.00</u>

The Agriculture/Horticulture Program focuses on sustaining commercial agriculture/horticulture; sustainable community gardening, soil analysis, control of invasive plants and arthropods, integrated pesticides management and diagnostics.

The Environment/Energy Program educates on current environment issues, which include land use decisions, protecting water resources, youth environmental education, geographic information systems (GIS) and eco system protection.

A total of \$295,000 was claimed and paid. Cornell reported a total of 3,869 individuals were served for the Agriculture/Horticulture program and the Environment/Energy program served 2,042 individuals, 230 youth, 30 municipalities and numerous other organizations. These programs were 100% Dutchess County funded.

Contract #07-0270 - This contract was written for the period January 1, 2011 – December 31, 2011 in the amount of \$1,000 to provide the Agriculture and Farmland Protection Board funding requested by the County. The total claimed and paid was \$757.13.

Youth Bureau Contracts

Contract #11-0145 – This contract was written for the period January 1, 2011 – December 31, 2011. It provided for a 4-H Youth development program in the amount of \$150,000. Cornell reported 558 youth were served in the 4-H Youth program. Funds provided by this contract were 100% County dollars. This funding was fully claimed and paid.

Contract #10-0121 – This contract was written for the period January 1, 2011 – December 31, 2011 in the amount of \$8,600 for a hands-on community gardening program for at-risk youth called the Green Teen Community Gardening Program. The agency was required to provide a 50% match which was provided through the above county funded youth contract (#11-0145). The contract was fully claimed and paid. Cornell reported a total of 135 youth were served under this program. Funds provided by this County contract were 100% New York State dollars.

Health Department Contract

Contract #11-0145 – This contract was written for the period January 1, 2011 – December 31, 2011 in the amount of \$75,000 to provide workshops for the Food, Nutrition and Wellness Program. This contract provided food, nutrition and wellness programming for Dutchess County residents particularly those at risk for hunger and/or chronic disease. The total amount of the contract was claimed and paid. Cornell reported 602 adults and families and 15 youth were served under this program. This program was 100% Dutchess County funded.

Department of Social Services Contract

Contract #07-0670 – This contract was written for the period October 1, 2010 – September 30, 2011 in the amount of \$405,315. In a letter dated April 14, 2011, CCE was informed the funding for this contract was being reduced to \$244,087.86. Funding provided by the county was 100% pass-thru federal dollars. 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 physical activity 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's requirement of a 50% match was eliminated in the April 14 letter retroactively to October 1, 2010. A total of \$244,084 was paid to Cornell for this program. Cornell reported the following were served under this program:

- Food Decisions for implementing Dietary Guidelines -- Adult – 242 families participated.
- Food Decisions for implementing Dietary Guidelines -- Youth – 211 youth participated.
- Food Decisions for Safe Food – 179 individuals participated.
- Management of Food Related Resources – 242 individuals participated.
- Food Insecurity/Hunger Prevention – 242 individuals participated.

Office for the Aging Contract

Contract #10-0081 – This contract was written for the period January 1, 2011 – December 31, 2011 in the amount of \$10,200: \$7,650 with a \$2,550 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 \$7,519.55 was claimed and paid and this program reached 73 caregivers and 17 youth in their care. Funding provided by the county were 100% Federal pass-thru dollars.