

**Cornell Cooperative Extension of Dutchess County  
January 2008 – December 2008**

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## ***Comptroller's Summary***

### **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 on the website: <http://counties.cce.cornell.edu/dutchess>

### **Audit Scope, Objective and Methodology**

The objective of our audit was to review the contract agreements for the period of January 1, 2008 through December 31, 2008, and the adequacy of internal controls over CCE's financial operations. CCE reported a total of \$1,451,140.11 in county funding for 2008, and \$237,308.00 for in-kind space rental in the Farm and Home Center building. Funding is shown in Exhibit I. A summary of each County contract is attached as Addendum I.

We examined policies and procedures, financial records and performed limited transaction tests.

### **Summary of Findings**

CCE's system of internal controls over revenue collections, cash disbursements and program management should be improved. In addition, improved risk assessment and monitoring of financial processes should be implemented to ensure efficient and effective management of agency funds.

### ***Detailed Findings***

Internal controls protect an agency's assets against the danger of loss or misuse; ensure the efficient and effective management of resources as well as compliance with applicable legal requirements. Our assessment of CCE's internal control system was based on the following components:

1. Favorable control environment,
2. Effective communication,
3. Continuing risk assessment,
4. Control activities,
5. Monitoring.

### **Control Environment**

Control environment is the attitude toward internal control and control consciousness established and maintained by both management and employees and supports compliance with laws, rules, regulations, and management directives. Organization structure and accountability relationships are key factors in the control environment.

CCE utilizes the Cornell University Financial Management Software and Financial Operations Resource Manual (FORM) which contains policies and procedures to govern day-to-day operations.

**Finding:**

- The organization's control environment had weaknesses in regards to best practices for revenue collection, disbursement processes and fiscal program monitoring.

**Recommendation:**

- CCE's management should expand its knowledge of internal controls and ensure that employees at all levels understand the importance of control procedures particularly as they relate to revenue collection, disbursement and program monitoring activities.

## **Communication**

Communication is the exchange of useful information between and among people within the organization to support decisions and coordinate activities. Communication can take various forms from policy memos and formally documented procedures, to highly informal verbal updates.

**Findings:**

- While the CCE had various written policies and procedures and job descriptions, they did not contain comprehensive best practices for cash collections, disbursements and fiscal program monitoring.
- Cornell University reviews CCE annually. The 2007 Financial Review cited the following which was not implemented:
  - CCE did not update budgeted figures in their accounting software to reflect funding amendments. Therefore, budget performance reports were not correct.
  - CCE did not utilize the software modules for banking services, accounts receivables and accounts payables.

**Recommendations:**

- Update policies and procedures specific to cash collections, disbursements and fiscal program monitoring based on best accounting practices. Manuals should explicitly state roles and responsibilities for these functions and be readily available to employees.
- The software module should be utilized for integration with the general ledger module for recordkeeping and reporting.
  - CCE should make budget funding changes in their accounting software to reflect funding amendments and ensure accuracy in reporting.
  - Software modules should be utilized for banking services, accounts receivables and accounts payables.

## **Risk Assessment**

Risks are events that threaten the accomplishment of objectives which ultimately impact an organization's ability to function effectively and efficiently. CCE had a high volume

of cash transactions. In addition, CCE has many funding sources with various requirements for fiscal and program reporting.

Findings:

- Cash Management processes were not properly assessed by management to recognize weaknesses in internal controls including:
  - Duties were not segregated to ensure proper checks and balances.
  - Oversight over cash receipts, cash disbursements and program fiscal monitoring.
  - Utilization of software for bank reconciliations and updates to budgeted funds.

Recommendations:

- Management should assess and identify risks regarding cash management on an on-going basis. Specifically:
  - Duties must be segregated to ensure proper checks and balances.
  - Oversight over key accounting functions must be strengthened.
  - All applications of the software management system should be utilized.

## **Control Activities**

Control activities are policies, procedures, and tools that help prevent or reduce risks, ensure data integrity, and allow effective and efficient management. Policies and procedures should include the following: authorization and oversight; properly designed records; appropriate security of assets and records; segregation of duties; periodic reconciliations and verification.

## **Revenue Collections**

Revenue was received from government entities, grants and individuals for programs and operations. Funding as shown in Exhibit I for Government Entities/Grants amounted to \$2,999,987.95 and total Program and Operating income was \$253,791.99. We reviewed bank accounts, deposits and income documentation.

## **Cash Management**

Findings:

Cash receipting processes, including oversight and monitoring of cash collections and recordkeeping, was deficient. Records and operating procedures were poorly designed for receipting daily cash.

- Deficiencies noted included:
  - Incomplete cash receipt and transmittals records: Funds collected were not easily identifiable to the purpose of each collection and the form of payment (cash or check). As a result deposit documentation could not be properly reconciled to deposits and program income records.
  - Funds were held for extended periods of time (weeks) prior to remittance for deposit.
  - Personal checks from CCE employees were cashed from receipts including checks from several CCE check signors.
  - Checks receipted were not immediately endorsed “for deposit only” upon receipt. Funds including checks and cash were not secured in a fireproof safe.
  - Duties for collection were not properly segregated. Four individuals were responsible for collecting, holding and accounting for funds. Two individuals

responsible for collecting funds were also check signors for CCE and one individual was responsible for the majority of the bookkeeping responsibilities for CCE.

- Software module, as cited by the Cornell University review, was not utilized for accounts receivable to detail customer or vendor accounts.
- Monitoring procedures were not in place to note internal control weaknesses in cash collections.

Recommendations:

- Design and implement comprehensive policies and procedures for executing cash receipt practices which ensure the safeguarding and proper accounting for all funds received. Processes should include:
  - The maintenance and reconciliation of comprehensive cash receipt records.
  - Timely deposits.
  - All cash receipts must be deposited intact, that is no checks may be cashed or disbursements made from receipts.
  - Endorse checks “for deposit only” upon receipt.
  - Segregation of duties to ensure no transaction is handled by one person from beginning to end.
- Accounts receivable software module should be used to monitor/manage accounts receivable.
- Procedures should be reviewed on a regular basis for applicability and for monitoring compliance.

**Banking**

Additional findings specific to Banking:

Findings:

- Check signors were not generally supervisory or management level.
- Duties were not properly segregated:
  - In some instances, the check signor’s duties included receiving and depositing funds.
  - The bookkeeper receipted cash, prepared journal entries and reconciled the bank accounts.
- Software module, as cited by the Cornell University review, was not utilized to complete the bank reconciliation.
- Management did not review banking processes to ensure complete accountability.

Recommendations:

- Check signors should be supervisory or management level.
- Review and segregate duties.
- Utilize bank reconciliation module.
- Management should review procedures on a regular basis for applicability and for monitoring compliance.

## Program Fiscal Monitoring

Oversight and fiscal monitoring of CCE programs funded from various county funding sources was reviewed.

### Findings:

- The following deficiencies were noted:
  - Monthly program reports were not given to issue (program) leaders to ensure the validity of the data recorded and claimed to Dutchess County contracts.
  - Controls procedures were not in place to ensure expenditures were claimed to the appropriate expense category. We noted in our sample:
    - Consultant services (\$7,979.08) were claimed as Personnel expenditures.
    - Various expenses including employee background checks and rental of a conference facility totaling \$963.12 were claimed as Travel expenditures.
  - Control procedures were not in place to ensure expenditures were accurately documented and made in accordance with best disbursement practices. Claim documentation reviewed for TANF and Green Teen expenditures revealed:
    - Reimbursements were made to employees rather than directly to vendors for supplies.
    - Documentation was not consistently made from original invoices; did not include a detailed listing of items; the purpose for each purchase and complete vendor information.
- Software module, as cited by the Cornell University review, was not utilized for accounts receivable to detail customer or vendor accounts.
- Expenditures were not properly monitored to ensure the expense was proper and adequately documented and claimed to the appropriate expense category.

### Recommendations:

- All program fiscal monitoring deficiencies should be addressed:
  - Management should put in place processes to monitor program activities.
  - Control procedures including management review should be put in place to ensure claiming is made to the appropriate expense category.
  - Best disbursement practices must be implemented to ensure expenditures are accurately documented.
- The software module should be utilized for integration with the general ledger module for recordkeeping and reporting.
- Expenses must be monitored by management to ensure the expense was proper, adequately documented and claimed to the appropriate expense category.

## **Exhibit I**

### **Statement of Operations Cornell Cooperative Extension Dutchess County December 31, 2008**

|   |                   |                             |
|---|-------------------|-----------------------------|
| <b>REVENUES, GAINS, AND OTHER SUPPORT:</b>            |                   |                             |
| FEDERAL   | \$70,430.26       |                             |
| STATE   | 1,033,394.77      |                             |
| OTHER GRANTS/CONTRACTS                                | 207,714.81        |                             |
| COUNTY CONTRACTS                                      | 1,451,140.11      |                             |
| COUNTY - In-Kind                                      | <u>237,308.00</u> |                             |
| TOTAL GOVERNMENT ENTITIES/GRANTS                      |                   | \$2,999,987.95              |
| CONTRIBUTIONS UNRESTRICTED                            |                   | 44,036.86                   |
| INVESTMENT EARNINGS                                   |                   | 527.89                      |
| PROGRAM/OPERATING REVENUES                            |                   | <u>209,227.24</u>           |
| <b>TOTAL UNRESTRICTED REVENUES</b>                    |                   | <b>\$3,253,779.94</b>       |
| <b>EXPENSES:</b>                                      |                   |                             |
| SALARIES  |                   | \$1,588,444.35              |
| EMPLOYEE BENEFITS                                     |                   | 765,243.20                  |
| PROGRAM/OPERATING EXPENSES                            |                   |                             |
| Awards & Prizes                                       | \$13,135.31       |                             |
| Fund Raising  | 10,822.14         |                             |
| Trips & Tours   | 5,355.08          |                             |
| Communication   | 30,577.32         |                             |
| Supplies  | 82,956.36         |                             |
| Insurance   | 20,742.47         |                             |
| Lease & Rental  | 15,497.96         |                             |
| Lease & Rental - In-Kind Rent                         | 237,308.00        |                             |
| Lease & Rental - Equipment/Vehicles                   | 6,488.18          |                             |
| Meetings & Conferences                                | 53,106.66         |                             |
| Mileage & Travel                                      | 89,611.13         |                             |
| Equipment Non -Capitalized                            | 24,157.26         |                             |
| Printing  | 44,087.92         |                             |
| Publicity   | 27,323.96         |                             |
| Teaching Materials                                    | 50,542.42         |                             |
| Contract Services                                     | 91,259.35         |                             |
| Fees  | 4,996.73          |                             |
| Enterprises - Cost of Sales                           | <u>3,099.00</u>   |                             |
| TOTAL PROGRAM/OPERATING EXPENSES                      |                   | \$811,067.25                |
| GRANTS & CONTRACTS                                    |                   | 72,481.62                   |
| BUILDINGS & GROUNDS                                   |                   | 47,153.18                   |
| INTEREST EXPENSE                                      |                   | 4,950.46                    |
| EXPENSE OF FIXED ASSETS - Depreciation                |                   | <u>35,336.77</u>            |
| <b>TOTAL EXPENSES</b>                                 |                   | <b>\$3,324,676.83</b>       |
| <b>Increase (decrease) in unrestricted net assets</b> |                   | <b><u>(\$70,896.89)</u></b> |

Source: Final Statement of Operations approved at the March 2009 Board of Directors meeting

## ***Addendum I – Contract Detail***

### **PLANNING**

#### **Contract # 08-0181 PL/YB/HD A1, A2, A3 for the period of 1/1/08-12/31/08**

This contract was written for \$1,347,486.00 (including \$237,308.00 for in-kind rent) from the following departments:

In-Kind rent of \$237,308.00 is the rental value for the donation of space at the Farm and Home Center.

Planning Department (A1) contract funding of \$657,827.00 for three programs: Agriculture/Horticulture for \$370,337.00; Family Financial Management for \$68,484.00; and an Environment Program for \$219,006.00. The Planning contract for each of these programs was fully claimed and paid.

Youth Bureau (A2) contract amount of \$326,542.00 supported 2 programs: 4-H Youth Development for \$230,669.00 and a Green Teen Program for \$95,873.00. This portion of the contract has been claimed and paid in full as of February 2009 for the 2008 services.

Health Department (A3) contract amount of \$125,809.00 supported a nutrition program. This contract has been claimed and paid in full as of February 2009 for the 2008 services.

#### **Contract #08-0661 PL for the period of 1/1/08-12/31/08**

This contract was written for \$12,400.00 to provide for an Agricultural District Database Interagency Connectivity Project. A payment of \$4,165.68 was paid in February 2009 for 2008 services billed. The contract agreement was dated January 9, 2009.

#### **Contract #07-0270 PL A1 for the period of 1/1/08-12/31/08**

This contract was written for \$5,750.00 to provide Agriculture and Farmland Protection Board Services. A payment of \$852.28 was paid in February 2009 for 2008 services billed. The contract was dated December 29, 2008.

#### **Contract #07-0561 PL A1 for the period of 1/1/08-12/31/08**

This contract was written for \$8,716.00 to provide consultant services to administer the New York State mandated Dutchess County Agricultural Districts Recertification review process. A payment of \$2,014.22 was paid February 2009 for 2008 services billed. The contract agreement was dated January 9, 2009.

### **YOUTH BUREAU**

#### **Contract # 08-0102YB for the period of 1/1/08-12/31/08**

This contract was written for \$14,017.00 the Green Teen Community Gardening Program for youths aged 14-19. A total of \$10,889.51 was claimed and paid.

## **DEPARTMENT OF SOCIAL SERVICES**

### **Contract # 07-0670 SS A1, A2 for the period of 10/1/07-9/30/08**

The contract was written and amended for \$285,932.00 for 10/1/07-9/30/08 to provide a Food Stamp Nutrition Education Program for food stamp recipients and low income individuals. The entire amount of this contract was claimed and paid; \$62,615.07 for 10/1/07-12/31/07 and \$223,316.93 for 1/1/08-9/30/08.

### **Contract # 07-0670 SS A3 for the period of 10/1/08-9/30/09**

The contract was written and amended for \$338,620.00 for 10/1/08-9/30/09 to provide a Food Stamp Nutrition Education Program and to provide Food Stamp Program outreach services. A total of \$77,725.99 was claimed at the time of this review and \$70,785.07 has been paid as of March 2009 for 10/1/08 through 12/31/08 (4<sup>th</sup> quarter) services provided. The contract agreement was dated January 7, 2009.

## **WORKFORCE INVESTMENT BOARD (WIB)**

### **Contract #07-0216 SS A1 for the period of 6/6/08-9/31/08**

The Department of Social Services (DSS) entered into a contract the Dutchess County Workforce Investment Board (WIB) for a TANF Summer Youth Employment Program. WIB contracted with Cornell to provide services to work with 10 clients for \$27,098.00. DSS paid WIB the entire amount of the contract; Cornell was paid the entire amount of the contract by the WIB.

## **OFFICE FOR THE AGING**

### **Contract # 08-0010 OA for the period of 1/1/08-12/31/08**

This contract totaled \$10,200.00, provided \$7,650.00 with a match of \$2,550.00 for the grandparents (and other relative caregivers) over the age of 60 raising grandchildren programs. A total of \$6,523.00 was claimed and paid.

### **Contract #05-0619 OA A3 & Contract #05-0619 OA A4**

These contracts, for the period of 4/1/07-3/31/08 (A3) for \$15,500.00 and for the period of 4/1/08-3/31/09 (A4) for \$15,466.00, provided Long Term Care Insurance Education and Outreach program. A total of \$15,474.50 was claimed and paid for 2008: \$3,875.00 for 1/1/08-3/31/08 and \$11,599.50 for 4/1/08-12/31/08.