

# **Audit Report**

**Cornell Cooperative Extension of Dutchess County**

**January 1, 2010 – December 31, 2010**

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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 January 1, 2010 through December 31, 2010, and the adequacy of CCE's internal controls over CCE's current financial operations. Funding provided to CCE for 2010 and 2011 is shown below.

Department	Program	Contract Period	2010 Total	2011 Total
Planning	Agriculture & Horticulture	Jan - Dec	\$315,718	185,000
Planning	Financial Mgt	Jan - Dec	57,047	0
Planning	Environment	Jan - Dec	175,205	110,000
	In Kind County Bldg	Jan - Dec	237,308	237,308
Youth Bureau	4H Youth Dev	Jan - Dec	204,360	150,000
Youth Bureau	4H Green Teen	Jan - Dec	67,650	0
Health	Food Nutrition	Jan - Dec	104,799	75,000
Youth Bureau	Green Teen	Jan - Dec	8,647	8,600
Social Services	Food Stamp Nutrition	Oct - Sep	363,014	405,315
Office For Aging	Grandparent Caregiver	Jan - Dec	7,650	7,650
<b>Total</b>			<b>\$1,541,398</b>	<b>\$1,178,873</b>

Funding	2010 Total	2011 Total
County Dollars	\$924,779	\$520,000
In Kind County Bldg	237,308	237,308
State	8,647	8,600
Federal	370,664	412,965
<b>Total</b>	<b>\$1,541,398</b>	<b>\$1,178,873</b>

*The 2011 funding is shown for comparative purposes.*

We examined selected policies and procedures, financial records and performed limited transaction tests. A summary of the agency's operations for 2010 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 for 2010 was found to be in good order and additional procedures recommended in the prior audit were instituted.
- Recordkeeping for 2011 was not up-to-date resulting in a significant deficiency in internal control. In addition, additional stipends incurred and paid in 2011 to the Executive Director were noted as not 'customary'.

## ***Internal Controls***

In accordance with generally accepted auditing standards, internal control over financial reporting was reviewed. Current process and procedures were reviewed through the date of the audit report. Requests for 2011 records included: board minutes, bank reconciliations and monthly financial statements for 2011.

## ***Accounting Records***

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

### **Observations:**

The business office function of recording accounts payable, accounts receivable, payroll, bank reconciliation and financial statement preparation is primarily controlled by one individual (Accounts Representative). The Executive Director indicated the Accounts Representative, who is responsible for the posting of Accounts Payable, Accounts Receivable, Bank Reconciliations, Payroll posting, and Financial Statement preparation retired December 29, 2010. She returned as a "temporary" staff member January 13 – May 6, 2011. A replacement staff member was hired on April 25, 2011 resigning effective May 24, 2011. On June 6, 2011 another staff member was hired and is in the midst of orientation and training.

The Executive Director explained that the oversight and training commenced upon this individual's hire date including the following:

1. Arranged for our Regional "key" Finance Manager to be in Millbrook to train in regards to the ACCPAC online accounting program, as well as our F.O.R.M. codes/policies/procedures. Additionally this person is available via phone and can also review work by "shadowing" (in real time) her entries and work.
2. Arranged for an additional on-site training with a neighboring county's Finance Manager.

3. Arranged with the retired Accounts Representative to be available on a very limited basis for training.
4. Scheduled in-depth meetings with our Program Issue Leaders in regards to their program area grants and budgets.
5. Reviewed our Internal Cash Control Procedures with the Accounts Representative including- The F.O.R.M. codes which provide details regarding expectations for financial reports (including timelines).

The Executive Director reported the following transactions were posted as of 7/12/11:

April: Accounts Payable, Accounts Receivable, Bank Reconciliations, Payroll

May: Accounts Payable, Accounts Receivable, Bank Reconciliations

June: Accounts Payable

The status of monthly closing and adjusting entries status was not reported.

In addition, the Executive Director stated: "Plans for our July Board's Finance Committee Meeting are to provide a "provisional" finance report for April, May, and June which will include whatever has been completed. At that time, the Finance Committee will discuss/review plans for reviewing our 2<sup>nd</sup> quarter finance report when fully completed. Our Board reviews/approves quarterly financial reports with provisional financial report reviews in between. Our organizational goal is that everything will be completed and, as in past years, our 2<sup>nd</sup> quarter vouchers submitted (for reimbursement of expenses) to the three DC Departments late July/August."

#### **Findings:**

- Since entries are not posted in their entirety, an accurate monthly financial report cannot be produced. This is a significant internal control deficiency which may result in material internal control weaknesses as defined above.
- CCE did not have compensating controls in place to ensure financial records were completed monthly. There were no individuals cross-trained to provide interim recordkeeping for the three month plus period resulting in the lapses of financial postings. This puts the agency at risk for preventing, detecting and correcting misstatements in a timely manner
- The agency policy and procedures, F.O.R.M. Code 104, indicate a financial statement is required monthly. This was not adhered to. April, May and June financial statements have not been provided to the board.

#### **Recommendations:**

- To prevent material misstatements and correct the deficiencies noted, the completion and review of all financial records must be expedited.
- Compensating controls should be put in place to ensure financial records are completed monthly. Cross-training is strongly recommended to provide timely and accurate financial records. Risk Assessments should be instituted to identify and address internal control issues.
- Policies and procedures regarding the completion of accurate monthly financials should be adhered to. Board intervention is necessary to ensure that accounting records are up-to-date and the fiscal integrity of Cornell is maintained in a timely manner.

## ***Board Minutes Review***

### **Observations:**

#### **Executive Director Stipends**

In reviewing the board minutes there were two instances where additional stipends were granted to the Executive Director.

1. The Board minutes dated 2/22/10 included a motion to “make Linda Keech available for Executive Director services as needed to an adjacent county.” According to the Executive Director the need by the adjacent county was minimal and the adjacent county reimbursed CCEDC for Mileage/Travel (total \$71.50) incurred as well as “additional duties time” (\$200), per an agreement we signed with the adjacent county. CCEDC processed the additional duties pay for Linda Keech through Cornell/HR online and that amount was included in her payroll; travel/mileage was reimbursed to her directly by CCEDC.
2. Board minutes dated March 28, 2011 noted a one-time payment of \$3,000.00 was authorized for the Executive Director to compensate for performing the duties of Interim 4-H Issue Leader.

### **Findings:**

- It is not customary to provide additional compensation to an Executive Director for duties performed for other agencies. Compensation is normally paid to the agency for time worked and expenses incurred.
- It is not customary to provide additional compensation for an Executive Director to perform agency duties.

### **Recommendations:**

- Compensation for services provided to other agencies for an Employee’s time for a similar service should be received and retained by the agency as revenue to offset the Employee’s time worked at the other agency.
- It is the Executive Director’s responsibility to ensure agency programming is rendered at no additional expense to the agency.

## **Detailed Findings**

### ***Communication***

Communication within the organization is generally accomplished through staff meetings, policy and procedure manuals and monthly board meetings. We noted that the following procedures were formally approved and documented by the Board as recommended in our last audit. In addition the Executive Director stated that updated policies are given to all agency employees.

**Finding**

- Procedures regarding benefit time accounting and cell phone policies were formalized. These policies and procedures were implemented and are in compliance with IRS regulations.

**Control Activities****Revenue and Cash Receipting Practices**

Revenue was received from government entities, grants and individuals for programs and operations. A total of \$3,017,548.14 was reported as revenue and transfers from fund balances; of which, \$2,484,184.59 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.

**Findings**

- Deposits were made in a timely manner.
- As previously noted, revenue entries were not adjusted at year-end to reflect actual revenue received.

**Recommendation**

- All revenue entries should be reviewed at year-end and adjusted as necessary to report actual funds received.

**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 12/31/10 totaled \$314,885.94 as follows:

Bank of Millbrook – operating account	\$ 263,183.57
HSBC Bank	9,286.03
M & T Bank	42,416.34
Total	<u>\$ 314,885.94</u>

## **Findings**

- Bank reconciliations were completed and reviewed by a board member, but were done up to four months after the statements were received.
- The primary checking account ending balance exceeded the \$250,000 FDIC insurance limit in four of twelve months. The largest balance was \$356,116.16 in the month of September.

## **Recommendations**

- Bank reconciliations should be completed and reviewed timely.
- Bank balances should not exceed the \$250,000 FDIC insurance limits.

## **Expenses**

Expenses claimed to Dutchess County were reviewed and found to be well documented.

### **Personnel Services including Benefit time review**

Personnel services and fringe reported in the agency's financials totaled \$1,892,259.02 for 2010. A total of \$1,293,313.14 for personnel services and fringe benefits were claimed to Dutchess County in 2010. This represents approximately 68% of the total funding Dutchess County paid to Cornell in 2010. Employees salaries claimed were sampled and traced to the general ledger. No exceptions were noted.

### **Benefit time review**

A benefit time use policy was developed and approved by the Cornell board of directors. When an employee uses accrued benefit time they complete a Request for Leave form and submit it to their supervisor. Request for leave slips were sampled and compared to the associated accrued leave ledger for accuracy in recording leave use. No exceptions were noted.

### **Cell phone expense reimbursement**

A cell phone expense reimbursement policy was developed, approved by the board of directors and added to the agency's business expense policy. Select Cornell employees receive a monthly mobile telephone usage expense reimbursement. A total reimbursement of \$2,917.21 was paid to 12 employees in 2010 for this benefit.



## **Exhibit I**

### **Statement of Operations Cornell Cooperative Extension Dutchess County 12/31/2010**

<b>Revenues, Gains and Other Support:</b>		
Federal	\$68,950.78	
State	815,432.94	
Other Grants/Contracts	72,391.15	
County Contracts	1,290,101.72	
County-In-Kind	237,308.00	
Total Government Entities/Grants		\$2,484,184.59
Contributions Unrestricted	35,993.20	
Investment Earnings	28,224.83	
Program/Operating Revenues	110,495.94	
Total Unrestricted Revenues		\$2,658,898.56
 <b>Expenses</b>		
Salaries	\$1,296,567.75	
Employee Benefits	595,691.27	
Program/Operating Expenses	193,745.04	
Fund Raising	14,667.55	
Trips & Tours	9,421.49	
Communications	23,094.61	
Supplies	93,735.61	
Insurance	19,491.15	
Lease & Rental	247,756.27	
Lease & Rental - Equipment/Vehicles	4,665.10	
Mileage & Travel	3,514.24	
Equipment Non - Capitalized	2,799.94	
Utilities	31,557.11	
Teaching Materials	15,466.49	
Fees, Lic, Taxes	2,737.26	
Other	(\$3,069.41)	
Enterprises - Cost of Sales	3,003.00	
Total Program/Operations		\$2,554,844.47
Grants & Contracts	67,877.62	
Buildings & Grounds	13,172.71	
Interest Expense	1,718.43	
Expense of Fixed Assets - Depr]	34,668.34	
Total Expenses		\$2,672,281.57
Increase (decrease) in unrestricted net assets		<u>(\$13,383.01)</u>

## ***Addendum I***

### **Office for the Aging Contract**

**Contract #10-0081** – This contract was written for the period January 1, 2010 – December 31, 2010 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 \$7,601.80 was claimed and paid in 2010. Funding provided by the county were 100% Federal pass-thru dollars.

### **Youth Bureau Contracts**

**Contract #10-0163** – This contract was written for the period January 1, 2010 – December 31, 2010. It provided for two youth programs: Green Teen in the amount of \$67,650 and a 4-H Youth development program in the amount of \$204,360. Cornell reported 116 youth were served in the Green Teen/Gardening program and 1,395 youth were served in the 4-H Youth program. Funds provided by this contract were 100% County dollars.

**Contract #10-0121** – This contract was written for the period January 1, 2010 – December 31, 2010 in the amount of \$8,647 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 (#10-0163). The contract was fully claimed and paid. Cornell reported a total of 116 youth were served under this program. Funds provided by this county contract were 100% New York State dollars.

### **Department of Social Services Contract**

**Contract #07-0670** – This contract was written for the period October 1, 2009 – September 30, 2010 in the amount of \$363,014. 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 required a 50% match. Cornell provided documentation at the time of the audit showing required funding matches. Funding matches included in-kind services and funding from other county contracts. Cornell reported the following were served under this program:

- Food Decisions for implementing Dietary Guidelines -- Adult – 350 families participated.
- Food Decisions for implementing Dietary Guidelines -- Youth – 357 youth participated.
- Food Decisions for Safe Food – 228 individuals participated.
- Management of Food Related Resources – 383 individuals participated.

- Food Insecurity/Hunger Prevention – 236 individuals participated.

**Health Department Contract**

**Contract #10-0163** – This contract was written for the period January 1, 2010 – December 31, 2010 in the amount of \$104,799 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 1,560 adults and families, 441 youth and 3 schools were served under this program. This program was 100% Dutchess County funded.

**Department of Planning and Community Development Contracts**

**Contract #10-0163** – This contract was written for the period January 1, 2010 – December 31, 2010 in the amount of \$553,026 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	\$315,718.00
Financial Management	57,047.00
Environment	175,205.00
In-Kind -County Building	237,308.00
Total	<u>\$785,278.00</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 Financial Management program focuses on family financial issues consumer needs; and 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 \$540,970 was claimed and paid. Cornell reported a total of 5,686 individuals were served for the Agriculture/Horticulture program, the Financial Management program served 264 adults and 11 youth and the Environment/Energy program served 3,368 individuals. These programs were 100% Dutchess County funded.

**Contract #07-0270** - This contract was written for the period January 1, 2010 – December 31, 2010 in the amount of \$2,000 to provide the Agriculture and Farmland Protection Board funding requested by the County. The total claimed and paid was \$1,759.03.