

# **Dutchess County, New York**

**EIN# 14-6002566**

**Reports on Federal Awards**

**Required by Office of Management and Budget**

**Circular A-133**

**December 31, 2007**

**Dutchess County, New York**  
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**December 31, 2007**

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**Report of Independent Auditors on Internal Control Over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of the Financial Statements  
Performed in Accordance with *Government Auditing Standards***

To the Honorable Members of the  
County Legislature and the County Executive  
Dutchess County, New York:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Dutchess County, New York (the "County") as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 23, 2008. Our report included a reference to other auditors, adoption of a change in accounting for the County's post retirement benefit costs and restatement of the County's December 31, 2006 net assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Dutchess Community College, the Dutchess Resource Recovery Agency, the Dutchess County Water and Wastewater Authority and the Dutchess County Industrial Development Agency, which represents 99 percent of the total assets, net assets and net expense of the aggregate discretely presented component units, as described in our report on the County's financial statements. As described in Note 2 to those financial statements, the financial statements of the Dutchess Community College have been adjusted for the presentation of long-term liabilities and net assets included in the financial statements; and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based upon the reports of the other auditors. This report does not include the results of the other auditors, testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as 07-01, 07-02, 07-03 and 07-04 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider items 07-01 and 07-02 to be material weaknesses.

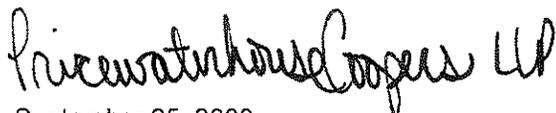
#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the County in a separate letter dated September 25, 2008.

The County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County's audit committee, directors, management, and legislature, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
September 25, 2008

**Report of Independent Auditors on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control Over  
Compliance in Accordance with OMB Circular A-133**

To the Honorable Members of the  
County Legislature and the County Executive  
Dutchess County, New York:

Compliance

We have audited the compliance of Dutchess County, New York (the "County") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007, except as described in the second paragraph of this report. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

The County's basic financial statements include the operations of the Dutchess Community College ("DCC"). Our audit, described below, did not include DCC because DCC engaged other auditors to perform a separate audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007. However, the results of our auditing procedures disclosed an instance of non-compliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as 07-05.

#### Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

#### Schedule of Expenditures of Federal Awards

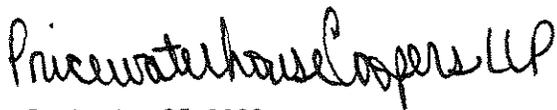
We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Dutchess County, New York (the "County") as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 25, 2008. Our report included a reference to other auditors, adoption of a change in accounting for the County's post retirement benefit costs and restatement of the County's December 31, 2006 net assets. Other auditors audited the financial statements of the Dutchess Community College, the Dutchess Resource Recovery Agency, the Dutchess County Water and Wastewater Authority, and the Dutchess County Industrial Development Agency, which represents 99 percent of the total assets, net assets and net expense of the aggregate discretely presented component units, as described in our report on the County's financial statements. As described in Note 2 to those financial statements, the financial statements of the Dutchess Community College have been adjusted for the presentation of long-term liabilities and net assets

included in the financial statements; and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based upon the reports of the other auditors.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards for the year ended December 31, 2007 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the County's audit committee, management, the legislature and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

September 25, 2008

**Dutchess County, New York**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2007**

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Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-through Entity Identifying Number	CFDA Number	Federal Expenditures
U.S. Department of Health and Human Services			
HIV Emergency Relief Formula Grants		93.914	\$ 1,359,125
Medical Reserve Corps Small Grant Program		93.008	10,000
Subtotal DHHS Direct Programs			<u>1,369,125</u>
Pass-Through Programs From NY State Office for the Aging:			
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services		93.043	15,046
Centers for Medicare and Medicaid Services (CMS) - Research, Demonstrations, and Evaluations		93.779	29,338
National Family Caregiver Support		93.052	111,092
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers		93.044 (2)	284,319
Special Programs for the Aging - Title III, Part C - Nutrition Services		93.045 (2)	373,319
Nutrition Services Incentive Program		93.053 (2)	<u>96,410</u>
			754,048
Pass-Through Programs From:			
NY State Office of Children and Family Services			
Foster Care - Title IV-E		93.658	9,074,262
Adoption Assistance		93.659	31,608
Chafee Foster Care Independent Living		93.674	67,948
NY State Office of Temporary and Disability Assistance			
Child Support Enforcement - Administration		93.563	1,562,132
Low-Income Home Energy Assistance		93.568	1,461,560
Social Services Block Grant		93.667	2,588,961
Temporary Assistance for Needy Families	CO22699	93.558	5,891,942
	TR400221/71		
Pass-Through Programs From NY State Division of Alcoholism and Alcohol Abuse:			
Block Grants for Community Mental Health Services		93.958	599,344
Block Grants for Prevention and Treatment of Substance Abuse -	BINYSAPT	93.959	(178,588)
Pass-Through Programs From NY State Board of Elections			
Disability Access Improvement	T002596	93.617	36,589
Pass-Through Programs From NY State Department of Health:			
Medical Assistance Program		93.778	6,135,607
Public Health Emergency Preparedness	00-160005	93.069	271,917
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	CO17986	93.116	5,506
Preventative Health and Health Services Block Grant	CO20169	93.991	32,699
	CO20121		
HIV Prevention Activities - Health Department Based	002195-03	93.940	64,352
Maternal and Child Health Services Block Grants to the States	CO20604	93.994	83,546
	CO20240		
	CO21548		
Immunization Grants	CO18660	93.268	<u>79,641</u>
Subtotal DHHS Pass-Through Programs			<u>28,718,550</u>
Total U.S. Department of Health and Human Services			<u>30,087,675</u>

**Dutchess County, New York**  
**Schedule of Expenditures of Federal Awards (continued)**  
**Year Ended December 31, 2007**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-through Entity Identifying Number	CFDA Number	Federal Expenditures
U.S. Department of Transportation			
Formula Grants for Other than Urbanized Areas		20.509	55,700
Airport Improvement Program		20.106	287,674
Federal Transit Capital Investment Grants		20.500	729,897
Interagency Hazardous Materials Public Sector			
Training and Planning Grants		20.703	2,606
			<u>1,075,877</u>
Pass-Through Programs From NY State Department of Transportation:			
Federal Transit Metropolitan Planning Grants	NY-80-X015/6	20.505	174,956
Highway Planning & Construction	Q45-1014	20.205	2,898,105
	8754.01		
	8755.38		
	8755.40		
	8755.41		
	8755.42		
	8755.45		
	8755.81		
	8755.86		
	8755.88		
	8755.91		
	8756.01		
	8757.25		
	8757.26		
	8757.27		
	8757.37		
	8757.84		
	8758.69		
	8758.71		
	8757.53		
	8758.74		
State and Community Highway Safety	CP-1400213	20.600	(1) 148,542
	PT-1400261		
Occupant Protection	CS-1400251	20.602	(1) 10,927
Safety Incentive Grants for Use of Seatbelts	PT-1400241	20.604	(1) 54,580
			<u>214,049</u>
Subtotal Pass-Through Program			<u>3,287,110</u>
Total U.S. Department of Transportation			<u>4,362,987</u>
U.S. Department of Labor			
Pass-Through Program From NY State Department of Labor -			
Workforce Investment Act Cluster:			
Workforce Investment Act - Adult Program	80060	17.258	(4) 495,323
Workforce Investment Act - Youth Activities	80060	17.259	(4) 539,557
Workforce Investment Act - Dislocated Workers	80060	17.260	(4) 464,078
Total U.S. Department of Labor			<u>1,498,958</u>
U.S. Department of Agriculture			
Pass-Through Program From NY State Office of Children and Family Services-			
Food Stamp Cluster:			
State Administrative Matching Grants for Food Stamps		10.561	(3) 1,526,549
Food Stamps		10.551	(3) 13,311,981
Total U.S. Department of Agriculture			<u>14,838,530</u>

**Dutchess County, New York**  
**Schedule of Expenditures of Federal Awards (continued)**  
**Year Ended December 31, 2007**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-through Entity Identifying Number	CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Community Development Block Grants (Entitlement Grants)		14.218	2,452,650
Supportive Housing Program		14.235	125,991
Shelter Plus Care		14.238	511,408
HOME Investment Partnerships Program		14.239	1,151,033
<i>Total U.S. Department of Housing and Urban Development</i>			<u>4,241,082</u>
U.S. Department of Justice			
Bulletproof Vest Partnership Program		16.607	135,607
State Criminal Alien Assistance Program		16.606	113,180
			<u>248,787</u>
Pass-Through Program From NY State Division of Criminal Justice Services:			
Edward Byrne Memorial State and Local Law Enforcement Assistance			
Discretionary Grants Program		16.580	80,125
Violence Against Women Formula Grant	VW05548941	16.588	68,416
Subtotal Pass-Through Program			<u>148,541</u>
<i>Total U.S. Department of Justice</i>			<u>397,328</u>
U.S. Department of Education			
Pass-Through Program From NY State Department of Health			
Special Education- Grants for Infants and Families	CO21790	84.181	254,682
<i>Total U.S. Department of Education</i>			<u>254,682</u>
U.S. Department of Homeland Security			
Disaster Grants- Public Assistance Grants		97.036	631,646
Pass-Through Program From NY State Office of Homeland Security			
Homeland Security	C834592	97.067	118,639
Pass-Through Program From NY State Emergency Management Office:			
Emergency Management Performance Grants		97.042	1,500
Emergency Food & Shelter National Board Program	615400-016	97.024	56,419
Subtotal Pass-Through Program			<u>176,558</u>
<i>Total U.S. Department of Homeland Security</i>			<u>808,204</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 56,489,446</u></u>
(1) Highway Safety Cluster			\$ 214,049
(2) Aging Cluster			\$ 754,048
(3) Food Stamp Cluster			\$ 14,838,530
(4) Workforce Investment Act Cluster			\$ 1,498,958

**Dutchess County, New York**  
**Notes to Schedule of Expenditures of Federal Awards**  
**December 31, 2007**

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**1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the primary government of Dutchess County, New York ("the County"), an entity as defined in the basic financial statements and does not include Dutchess Community College ("DCC"), Dutchess County Resource Recovery Agency, Dutchess County Water and Wastewater Authority, Dutchess County Industrial Development Agency, and Dutchess County Soil and Water Conservation District (the "Component Units"). The information in this schedule was prepared on the accrual basis of accounting and is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Negative amounts represent adjustments to expenditures reported in prior years in the normal course of business.

Pass through entity identifying numbers were included on the schedule where available.

**2. Subrecipients**

Of the federal expenditures presented in the schedule, the County provided the following to subrecipients:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Temporary Assistance for Needy Families	93.558	\$ 1,174,023
HIV Emergency Relief Formula Grants	93.914	928,935
Low Income Home Energy Assistance	93.568	230,000
Block Grants for Community Mental Health Services	93.958	434,899
Medical Assistance Program	93.778	28,316
Food Stamp Cluster	Various	248,910
Community Development Block Grant (Entitlement Grants)	14.218	1,859,434
Supportive Housing Program	14.235	125,991
Shelter Plus Care	14.238	511,408
Home Investment Partnership Program	14.239	1,117,048
Aging Cluster	Various	674,746
Total		\$ 7,333,710

**Dutchess County, New York**  
**Schedule of Findings and Questioned Costs**  
**December 31, 2007**

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**I. Summary of Auditors' Results**

Financial Statements

Type of auditor's report issued Unqualified

Internal control over financial reporting:

Material weaknesses identified Yes

Significant deficiencies identified that are not considered to be material weaknesses Yes

Noncompliance material to financial statements No

*Federal Awards:*

Internal control over major programs:

Material weaknesses identified No

Significant deficiencies identified that are not considered to be material weaknesses None reported

Type of auditor's report issued on compliance for major programs Unqualified

Any audit findings required to be reported in accordance with Section 510(a) of Circular A-133 Yes

**Identification of Major Programs, Program or Cluster Title**

**CFDA Numbers**

Medical Assistance Program	93.778
Social Services Block Grant	93.667
Food Stamp Cluster	10.551, 10.561
Airport Improvement Program	20.106
Aging Cluster	93.044, 93.045, 93.053
HIV Emergency Relief Formula Grants	93.914

Dollar threshold used to distinguish between Type A and Type B programs \$1,694,683

Auditee qualified as a low risk auditee? Yes

**Dutchess County, New York**  
**Schedule of Findings and Questioned Costs**  
**December 31, 2007**

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**II. Findings Related to the Financial Statements Which are Required to be Reported in Accordance with Generally Accepted Auditing Standards.**

**07-01 Review of the Department of Social Services Revenue and Receivables (Material Weakness)**

A. During the course of our audit, we identified an error in the recording of revenue for the Department of Social Services which resulted in an audit adjustment to increase revenue by \$5.2 million. The individual preparing the journal entry did not recognize that the incorrect amount was posted and an internal control did not exist to prevent or detect the error.

We recommend the County implement a more robust journal entry review process for the Department of Social Services to ensure each entry recorded is reviewed by a supervisory level employee independent of the preparer of the journal entry.

B. During the course of our audit, we identified that the County did not record the reserve for uncollectible accounts related to the Department of Social Services accounts receivable at December 31, 2007. This resulted in an audit adjustment of approximately \$8 million to reduce the Department of Social Services revenue and record the reserve for uncollectible accounts on the Department of Social Services accounts receivable. Additionally, upon review of the reserve calculation provided by the Department of Social Services, we noted several adjustments that were required in order to properly consider all information necessary to accurately calculate the reserve at December 31, 2007.

We recommend the Department of Social Services calculate the reserve for uncollectible accounts at December 31, 2007 and Finance review the reserve calculation and ensure it is recorded in the general ledger.

**07-02 Financial Reporting (Material Weakness)**

Upon review of the County's 2007 financial statements, we identified errors in both the government wide financial statements in accordance with GASB 34 as well as in the fund financial statements which required several correcting entries to be recorded during the audit. While we recognize the County only prepares government wide financial statements annually, it is important that all financial statements are complete and accurate.

We recommend the County dedicate the appropriate level of internal resources or consider outsourcing the financial statement preparation process. In addition, the following recommendations should be considered:

- Create a checklist of closing entries required to be recorded on both the fund and government wide financial statements.
- Consider additional training on GASB 34 to ensure the requirements of the standard and its applicability to the County's financial reporting are met.
- Implement formalized review procedures of the financial statements to ensure they are complete and accurate.

**Dutchess County, New York**  
**Schedule of Findings and Questioned Costs**  
**December 31, 2007**

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**07-03 Recognition of Mental Hygiene Revenue (Significant Deficiency)**

In December 2006, the County received and recorded as revenue \$13.8 million from Medicaid related to services rendered by the Dutchess County Department of Mental Hygiene. Upon review of the supporting detail, it was determined that approximately \$6.1 million of the \$13.8 million was related to reimbursement for services that were rendered prior to fiscal year 2006 that were never recorded by the County. Therefore, the fiscal year 2006 financial statements included \$6.1 million of mental hygiene revenue that should have been recorded in prior years (2003, 2004 and 2005) financial statements. We understand that management of the Department of Mental Hygiene experienced difficulty reconciling revenue due to a system conversion in 2003 which caused revenue to be understated in prior years.

Although total revenue for the Department of Mental Hygiene only represents approximately 2% of the County's total revenue, the accumulation of this error resulted in a material adjustment to the 2006 financial statements. We recommend the Department of Mental Hygiene reconcile revenue and perform detailed analytics on a monthly or quarterly basis to ensure the recognition of revenue in the County's financial statements is complete and accurate. In addition, Finance and/or Budget should consider providing oversight of the Department of Mental Hygiene's monthly or quarterly revenue analysis and recognition.

**2007 Update**

As of December 31, 2007, management had not prepared a detailed analysis of mental hygiene revenue and receivables as recommended above. Per our request, management did perform a rollforward of activity of the mental hygiene revenue and receivables by agency that indicated that as of December 31, 2007, there is an unidentified credit balance of approximately \$2.0 million in the mental hygiene receivable account. The results of our audit procedures did not result in a material adjusting entry, we did identify. From discussions with management, these credits related back to the years 1998 to 2002 and management is currently analyzing this balance to determine the appropriate accounting treatment. Additionally, there was an unadjusted difference identified during the course of audit procedures that amounted to \$654,271.

Our recommendation from our 2006 audit remains the same. Additionally, we recommend management complete its analysis on the \$2 million credit balance and adjust its accounting records accordingly.

**07-04 Obtaining Appropriate Cut-off (Significant Deficiency)**

During the course of the audit, we noted that the County recorded in 2006, the impact of the final CSEA contract negotiations, which occurred in September, 2006, that included a \$1.9 million retroactive payment related to fiscal year 2005. In addition, we noted that in January, 2007, the County determined that certain capital assets that were complete and in service were not being depreciated and recorded the catch up of depreciation expense of \$1.5 million in 2007 as opposed to in 2006.

The recording of transactions in the appropriate period is critical to accurate cut-off and overall complete and accurate financial statements. We recommend management perform the necessary control procedures to ensure that all transactions (or reasonable estimates) are recorded in the correct period. These controls should include quarterly communication with key department constituencies within the County to discuss status of issues, projects, etc., analytics on material AFR financial captions to identify any unusual trends and an overall budget to actual analysis on the AFR.

# Dutchess County, New York

## Schedule of Findings and Questioned Costs

### December 31, 2007

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#### 2007 Update

While we did not identify any 2007 costs that were not properly accrued for at December 31, 2007, we did identify four capital projects that were included in construction in progress that were actually in service and should have been moved to a depreciable asset class during 2007. In addition, we identified \$2.4 million of environmental clean up costs that were capitalized in prior years related to a property owned by the County. In 2006, the County received payment from a Town for the property and transferred it to the Town but failed to remove the environmental clean up costs that had been capitalized from the County's general ledger. Accordingly, the costs were charged to expense resulting in a correction of an error from a prior period. Therefore, we recommend Finance continue to refine the controls around capital projects to ensure they are placed into a depreciable asset class upon completion and for any capital asset sold or disposed of, we recommend the capital asset be removed from the capital asset detail and general ledger at the time of the transaction.

### III. Federal Award Findings and Questioned Costs

#### 07-05 Eligibility

Medical Assistance Program, 93.778 Award Year 2007

Criteria:

CFR 42 part 435-406 states that for an individual to be eligible for Medicaid they must provide proof of citizenship.

Condition:

Of the thirty participants tested for eligibility, two individuals did not have the required proof of citizenship in their files.

Cause:

When the individuals applied to Medicaid, the case worker did not obtain the required proof for citizenship to include in the file.

Effect:

It is possible that the individuals are not US citizens and are receiving Medicaid when they are not eligible.

Questioned costs:

The questioned costs associated with the two individuals who did not have the required proof in their Medicaid files were \$60,440.

Recommendation:

We recommend that case files be reviewed and that a checklist be used to ensure that all required information is obtained prior to an individual being deemed eligible for Medicaid. It is also recommended that the County investigate and determine if the applicants were eligible for Medicaid, and if they were not, then the questioned costs associated with these individuals should be returned to Medicaid.

**Dutchess County, New York**  
**Summary Schedule of Prior Audit Findings**  
**December 31, 2006**

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None noted.



Dutchess County  
Office of the  
Commissioner  
of Finance

# Dutchess

William R. Steinhilber  
County Executive

Pamela Barrack  
Commissioner

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New York  
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September 25, 2008

**RE: Management's Views and Corrective Action Plan for Dutchess County OMB Circular A-133  
Compliance for the Year Ended December 31, 2007**

## **I. Findings**

- 07-01 Review of the Department of Social Services Revenue and Receivables (Material Weakness)
- 07-02 Financial Reporting (Material Weakness)
- 07-03 Recognition of Mental Hygiene Revenue (Significant Deficiency)
- 07-04 Obtaining Appropriate Cut-off (Significant Deficiency)
- 07-05 Eligibility – Medical Assistance Program, 93.778

## **II. Management's Response and Corrective Action Plan**

### 07-01 – Management's Response

- A) Currently, all journal entries are reviewed by the supervising accountant. Going forward, DSS has enhanced the process with another level of review by the Supervising Accountant through an additional spreadsheet. This spreadsheet will be compared to the original State information as a review against the accounting clerk's spreadsheet before submitting to Finance.
- B) The reserves for uncollectible will be part of the County's annual closing checklist to ensure the analysis is performed by DSS annually. Finance will review and record the adjustment.

### 07-02 – Management's Response

We are evaluating our internal processing and technical expertise. We will improve our workbook to account for Governmental adjustments and GASB 34 adjustments with check lists. Further, we are looking to restructure the accounting section and/or evaluate outsourcing the preparation of financial statements. We will continue to pursue training and education in the area of GASB.

07-03 – Management's Response

The Department is looking at the possibility of restructuring the current Management position at Mental Hygiene to provide better fiscal oversight for the department.

07-04 – Management's Response

Finance and County Comptroller will continue to put in place control procedures with the departments for capital projects. The Departments will review their capital assets and report to Finance and the Comptroller the status of all projects on an annual basis. This will ensure the completed projects are removed from work in progress and placed into depreciable assets.

Any work done on property that the County does not hold title to should be classified in the Operating Fund and not in the Capital Project Fund.

07-05 – Management's Response

A new procedure has been implemented:

- 1) A supervisory review of every record prior to the opening or recertification of any and all Medicaid cases, the supervisors will confirm the presence of the appropriate citizenship documentation.
- 2) If there are any issues at the point of the supervisory review, the case will be forwarded to the special investigation unit for follow up.
- 3) It should be noted that there are a few exceptions to the need for the citizenship papers such as a one time emergency payment or the State having the discretion to open up a case without paperwork. These cases would be part of the case file and yet would not include any citizenship documentation and correctly so.

**III. Responsible Individual**

Pamela Barrack, Commissioner of Finance