

# **Dutchess County, New York**

**EIN# 14-6002566**

**Reports on Federal Awards**

**Office of Management and Budget**

**Circular A-133**

**December 31, 2009**

**Dutchess County, New York**  
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**December 31, 2009**

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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, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 29, 2010. Our report was modified to include a reference to other auditors. 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 those financial statements. 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 opinions 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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 a 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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as finding number 09-01 to be a material weakness.

#### 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 29, 2010.

The County's response to the finding 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, management, the 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.

*PricewaterhouseCoopers LLP*

September 29, 2010

**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, 2009, 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") which received Federal Awards which are not included in the Schedule of Expenditures of Federal Awards for the year ended December 31, 2009. 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, 2009.

#### 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.

#### 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, 2009, and have issued our report thereon dated September 29, 2010. Our report included a reference to other auditors. 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 those financial statements.

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, 2009 is presented for purposes of additional analysis as required by OMB Circular A-133 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, 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.

*PricewaterhouseCoopers LLP*

September 29, 2010

**Dutchess County, New York**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2009**

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	\$ 1,398,141
Medical Reserve Corps Small Grant Program	M2C090016	93.008	5,000
Subtotal DHHS Direct Programs			<u>1,403,141</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	14,935
Centers for Medicare and Medicaid Services (CMS) - Research, Demonstrations, and Evaluations		93.779	36,671
National Family Caregiver Support		93.052	115,533
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers		93.044 (2)	279,191
Special Programs for the Aging - Title III, Part C - Nutrition Services		93.045 (2)	393,131
Special Programs for the Aging - Community Living		93.048	11,680
Nutrition Services Incentive Program		93.053 (2)	104,102
Medicare Enrollment Assistance Program		93.071	4,457
Aging Congregate Nutrition Services (Recovery Act Funded)		93.707 (2)	66,900
Subtotal Pass-Through Programs From NY State Office for the Aging			<u>1,026,600</u>
Pass-Through Programs From:			
NY State Office of Children and Family Services			
Foster Care - Title IV-E		93.658	8,270,109
Foster Care - Title IV-E (Recovery Act Funded)		93.658	100,539
Adoption Assistance		93.659	36,325
Adoption Assistance (Recovery Act Funded)		93.659	132,939
Chafee Foster Care Independent Living		93.674	91,609
Subtotal Pass-Through Programs From NY State Office of Children and Family Services			<u>8,631,521</u>
NY State Office of Temporary and Disability Assistance			
Child Support Enforcement - Administration		93.563	1,763,022
Child Support Enforcement - Administration (Recovery Act Funded)		93.563	178,179
Low-Income Home Energy Assistance		93.568	698,635
Social Services Block Grant		93.667	965,044
Temporary Assistance for Needy Families		93.558 (5)	9,931,863
Emergency Contingency Fund for Temporary Assistance for Needy Families (Recovery Act Funded)		93.714 (5)	927,972
Subtotal Pass-Through Programs From NY State Office of Temporary and Disability Assistance			<u>14,464,715</u>
Pass-Through Programs From NY State Division of Alcoholism and Alcohol Abuse:			
Block Grants for Prevention and Treatment of Substance Abuse	BINYSAPT	93.959	383,629
Subtotal Pass-Through Programs From NY State Division of Alcoholism and Alcohol Abuse			<u>383,629</u>
Pass-Through Programs From NY State Department of Health:			
Medical Assistance Program	PSSHSP	93.778	4,464,187
Medical Assistance Program (Recovery Act Funded)	PSSHSP	93.778	6,691,905
Public Health Emergency Preparedness	001600-06	93.069	136,137
Preventative Health and Health Services Block Grant	CO20121	93.991	1,087
	T025612	93.991	1,308
HIV Prevention Activities - Health Department Based	002195-04-.05	93.940	93,932
Maternal and Child Health Services Block Grants to the States	CO20604	93.994	31,899
	GAHLT0872611	93.994	12,000
	CO21548	93.994	24,930
	T025612	93.994	104
Immunization Grants	CO18660/C023243	93.268	68,797
Subtotal Pass-Through Programs From NY State Department of Health			<u>11,526,286</u>
Total U.S. Department of Health and Human Services			<u>37,435,892</u>

**Dutchess County, New York**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2009**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-through Entity Identifying Number	CFDA Number	Federal Expenditures
U.S. Department of Transportation			
Airport Improvement Program		20.106	\$ 475,183
Federal Transit Capital Investment Grants		20.500	553,696
Federal Transit Capital Investment Grants (Recovery Act Funded)	K006733	20.500	150,000
Federal Transit Capital Investment Grants (Recovery Act Funded)		20.500	800,000
Federal Transit Capital Investment Grants (Recovery Act Funded)		20.500	55,000
Interagency Hazardous Materials Public Sector Training & Planning Grants		20.703	8,072
Subtotal U.S. Department of Transportation Direct Programs			2,041,951
Pass-Through Programs From NY State Department of Transportation:			
Federal Transit Metropolitan Planning Grants	NY-80-X16-, X17	20.505	109,064
Highway Planning & Construction	L450-1014-043	20.205	507,139
	8754.02	20.205	9,553
	8755.42	20.205	102
	8755.44	20.205	7,266
	8755.45	20.205	280
	8755.82	20.205	15,326
	8755.86	20.205	5,401
	8755.91	20.205	987
	8756.01	20.205	2,651
	8757.22	20.205	2,164
	8757.22	20.205	55,650
	8757.26	20.205	1,049
	8757.27	20.205	673
	8757.37	20.205	5,640
	8757.38	20.205	763
	8757.40	20.205	4,603
	8757.41	20.205	21,992
	8757.53	20.205	13,673
	8758.69	20.205	8,173
	8757.53	20.205	34,806
	8758.74	20.205	19,180
	8760.23	20.205	48,627
	8760.24	20.205	1,332,168
	8760.25	20.205	43,812
	8760.26	20.205	712
Highway Planning & Construction (Recovery Act Funded)	8759.12	20.205	157,063
	8759.79	20.205	7,206
	Various	20.205	14,524
Formula Grants for Other than Urbanized Areas	C003697	20.509	58,425
State and Community Highway Safety	08-0692-9109-PL	20.600 (1)	48,761
	08-0705-9109-PL	20.600 (1)	95,191
Occupant Protection	08-0653-9109-PL	20.602 (1)	17,946
Safety Incentive Grants for Use of Seatbelts	08-0693-9109-PL	20.604 (1)	75,997
Subtotal Pass-Through Program From NY State Department of Transportation			2,726,567
<i>Total U.S. Department of Transportation</i>			4,768,518

# Dutchess County, New York

## Schedule of Expenditures of Federal Awards

### Year Ended December 31, 2009

Grantor/Program or Cluster Title	Pass-through Entity Identifying Number	CFDA Number	Federal Expenditures
U.S. Department of Labor			
Pass-Through Program From NY State Department of Labor :			
Trade Adjustment Assistance	80060	17.245	\$ 74,577
Workforce Investment Act - Adult Program	80060	17.258 (4)	423,525
Workforce Investment Act - Youth Activities	80060	17.259 (4)	391,280
Workforce Investment Act - Dislocated Workers	80060	17.260 (4)	633,929
Workforce Investment Act - Adult Program (Recovery Act Funded)	80060	17.258 (4)	82,026
Workforce Investment Act - Youth Activities (Recovery Act Funded)	80060	17.259 (4)	435,292
Workforce Investment Act - Dislocated Workers (Recovery Act Funded)	80060	17.260 (4)	246,103
Employee Benefits Security Administration - COBRA Premium Assistance (Recovery Act Funded)		17.151	2,200
<i>Total U.S. Department of Labor</i>			<u>2,288,932</u>
U.S. Department of Agriculture			
Pass-Through Program From NY State Office of Children and Family Services:			
State Administrative Matching Grants for Food Stamps		10.561 (3)	1,587,405
Food Stamps		10.551 (3)	27,732,893
Food Stamps (Recovery Act Funded)		10.551 (3)	82,026
<i>Total U.S. Department of Agriculture</i>			<u>29,402,324</u>
U.S. Department of Housing and Urban Development			
Community Development Block Grants (Entitlement Grants)			
Supportive Housing Program		14.235	142,972
Shelter Plus Care		14.238	483,743
HOME Investment Partnerships Program		14.239	837,208
Community Development Block Grant (Recovery Act Funded)		14.253 (6)	153,450
Homeless Prevention and Rapid Re-Housing Program (Recovery Act Funded)		14.257	162,973
<i>Total U.S. Department of Housing and Urban Development</i>			<u>3,853,730</u>
National Science Foundation			
Ecology of Infectious Disease - Anaplasma Grant		47.047	15,178
<i>Total National Science Foundation</i>			<u>15,178</u>
U.S. Department of Justice			
State Criminal Alien Assistance Program	2008-AP-BX-1499	16.606	20,738
Bulletproof Vest Partnership Program		16.607	4,295
Subtotal U.S. Department of Justice Direct Programs			<u>25,033</u>
Pass-Through Program From NY State Division of Criminal Justice Services:			
Violence Against Women Formula Grant	VW05548941	16.588	66,158
Edward Byrne Memorial Justice Assistance Grant Program	BJ05908930	16.738	50,000
Subtotal Pass-Through Program From NY State Division of Criminal Justice Services			<u>116,158</u>
<i>Total U.S. Department of Justice</i>			<u>141,191</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	293,383
<i>Total U.S. Department of Education</i>			<u>293,383</u>
U.S. Department of Homeland Security			
Pass-Through Program From NY State Office of Homeland Security:			
Law Enforcement Terrorism Prevention Program		97.067	13,500
Law Enforcement Terrorism Prevention Program (LETPP)		97.073	5,044
Subtotal Pass-Through Program From NY State Office of Homeland Security			<u>18,544</u>
Pass-Through Program From NY State Emergency Management Office:			
Emergency Management Performance Grants		97.042	72,759
Emergency Food & Shelter National Board Program	615400-016	97.024	1,662
Disaster Grants - Public Assistance	1692-DR-NY	97.036	4,978
Pre-Disaster Mitigation Plan		97.047	19,968
Subtotal Pass-Through Program From NY State Emergency Management Office			<u>99,367</u>
<i>Total U.S. Department of Homeland Security</i>			<u>117,911</u>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$ 78,317,059</u></b>

(1) Highway Safety Cluster	\$ 237,895
(2) Aging Cluster	\$ 843,324
(3) Food Stamp Cluster	\$ 29,402,324
(4) Workforce Investment Act Cluster	\$ 2,212,155
(5) TANF Cluster	\$ 10,859,835
(6) CDBG Entitlement Grants Cluster	\$ 2,226,834

**Dutchess County, New York**  
**Notes to Schedule of Expenditures of Federal Awards**  
**December 31, 2009**

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**1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) 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.

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	\$ 1,828,158
Child Care and Development Block Grant	93.575	267,550
HIV Emergency Relief Formula Grants	93.914	1,316,509
Low Income Home Energy Assistance	93.568	316,078
Block Grants for Prevention and Treatment of Substance Abuse	93.959	321,676
Medical Assistance Program	93.778	517,904
Food Stamp Cluster (3)	Various	331,811
Community Development Block Grant (Entitlement Grants)	14.218	1,821,962
Supportive Housing Program	14.235	83,573
Shelter Plus Care	14.238	432,292
Home Investment Partnership Program	14.239	715,516
Community Development Block Grant (Entitlement Grants) (Recovery Act Funded)	14.253	153,450
Homeless Prevention and Rapid Re-Housing Program (Recovery Act Funded)	14.257	162,973
Workforce Investment Act Cluster (4)	Various	2,048,769
Special Education - Grants for Infants and Families	84.181	7,392
Selective Traffic Enforcement Program	20.600	95,191
Buckle Up New York	20.604	75,997
Total		\$ 10,496,801

**Dutchess County, New York**  
**Schedule of Findings and Questioned Costs**  
**December 31, 2009**

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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 None reported

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 No

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

Medical Assistance Program	93.778
Food Stamp Cluster	10.551, 10.561
Community Development Block Grants	14.218, 14.253
Highway Planning & Construction Program	20.205
Temporary Aid to Needy Families	93.558, 93.714
Foster Care - Title IV-E	93.658

Dollar threshold used to distinguish between Type A and Type B programs 2,349,512

Auditee qualified as a low risk auditee? No

**Dutchess County, New York**  
**Schedule of Findings and Questioned Costs**  
**December 31, 2009**

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

**09-01 Monitoring of Capital Assets (Material Weakness)**

In connection with our procedures over fixed assets, we identified that depreciation expense was overstated by \$3.25 million. The reason for the error was due to incorrect in-service dates and useful lives being used to calculate depreciation expense in the fixed asset sub-ledger.

In addition, in connection with our review of projects remaining in construction in progress (CIP) at the end of the year we identified items that were improperly categorized between a depreciable asset and CIP. This resulted in uncorrected differences of \$250,000 in the General Fund and \$76,000 in the Airport Enterprise Fund to record additional depreciation expense for items placed in service prior to year end and not moved to a depreciable asset. In addition, various reclassifications between CIP and a depreciable asset were not identified and recorded.

We recommend that management review the controls and procedures in place around fixed assets. Without an effective review process, depreciation may not be appropriately recorded and cause the financial statements to be materially misstated.

**Management's Views and Corrective Action Plan**

Following these findings are Management's Views and Corrective Action Plan.

**III. Federal Award Findings and Questioned Costs**

None reported.

# Dutchess County, New York

## Summary Schedule of Prior Audit Findings

### December 31, 2009

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#### **08-01 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.

#### **2008 Update**

During the course of our audit, we identified a \$5.8 million credit balance in the Department of Social Services accounts receivable detail related to the State of New York. Management investigated the credit balance in accordance with their policies and procedures and concluded that the credits were advances from New York State related to their Child Welfare program. However, upon further investigation with representatives from the New York State Office of Child and Family Services, the County determined the State had provided additional funding to subsidize the short fall in Federal funding in 2007 and 2008. We concluded that the recording of the funding was appropriate, however required reclassification from the State accounts receivable to the Federal accounts receivable within the Department of Social Services accounts receivable detail.

Although no adjustment was required to the financial statements, this error materially impacted both the 2007 and 2008 Schedule of Expenditure of Federal Awards as the Schedule reported Federal expenditures related to the Child Welfare program that were State funded. Therefore, we recommend a more rigorous review be performed on material credit balances to identify potential classification errors.

#### **2009 Update**

The prior year corrective action plan was implemented and this finding did not recur in the current year.

#### **08-02 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.

# **Dutchess County, New York**

## **Summary Schedule of Prior Audit Findings**

### **December 31, 2009**

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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.

#### **2008 Update**

Upon review of the County's 2008 financial statements, we identified errors in the government wide and fund financial statements in accordance with GASB 34. These errors were consistent in nature with those identified in the 2007 financial statements in the comment above. Additionally in 2008, in review of deferred revenue for property taxes, management utilized reports that included cash collections for 2009 property taxes. This resulted in an adjustment to increase deferred revenue by \$3,188,000. Additionally, management did not record an adequate reserve on property taxes which resulted in an increase in the reserve of \$2,239,000.

During 2008, the County began implementing procedures to remediate the deficiencies in internal controls, however, due to the material adjustments noted above, our recommendation from the 2007 audit remains.

#### **2009 Update**

The prior year corrective action plan was implemented and this finding did not recur in the current year.

**Dutchess County, New York  
Management's Views and Corrective Action Plan  
December 31, 2009**

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**Dutchess County  
Office of the  
Commissioner  
of Finance**

**Dutchess**

**William R. Steinhaus**  
County Executive

**Pamela Barrack**  
Commissioner

**Corinna C. Wu**  
First Deputy

**Carmela Morley**  
Deputy

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September 24, 2010

**RE: Management's Views and Corrective Action Plan for Dutchess County  
OMB Circular A-133 Compliance for the Year Ended December 31, 2009**

**I. Findings**

09-01 – Monitoring of Capital Assets (Material Weakness)

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

09.01 - Management's Response

The County will implement a manual control whereby the inputs into the Fixed Asset Control Module (such as in-service dates and useful lives) will be reviewed for accuracy, and evidence of such review will be maintained. In addition, the procedures already in place to monitor construction in progress activity will be vested with one individual, who will ensure projects are appropriately classified as construction in progress or a depreciable asset. This control will be implemented for the December 31, 2010 financial statements.

**III. Responsible Individual**

Pamela Barrack, Commissioner of Finance