

Audit Report

Dutchess County Soil and Water Conservation District

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Comptroller's Summary

Background/Organization

The Dutchess County Soil and Water Conservation District (SWCD) established in 1945 and authorized by State statute, coordinates state and federal conservation programs on a local level. The SWCD provides education and technical assistance on managing soil, water and related natural resources to municipalities, farmers, business owners and homeowners. Additional information is available on the Dutchess County Soil and Water's website: www.dutchessswcd.org

Audit Scope, Methodology and Objective

An audit was conducted of the Dutchess County Soil and Water Conservation District for the period January 1, 2008 through December 31, 2008. During the audited period, Dutchess County appropriated \$279,500.00 to the SWCD. The Dutchess County Department of Planning and Development is responsible for the distribution and oversight of these funds. SWCD uses a cash basis for accounting.

The audit included a review of:

- Internal Controls
- Annual Report of the Treasurer to New York State
- Claiming documents, Payroll records, IRS Form W-2s
- Expenditures, Inventory, Banking and Petty cash

Summary of Findings

- A comprehensive agency manual of accounting policies and procedures, including roles and responsibilities, has been started and should be completed.
- The separation of duties for key accounting functions has been improved.
- Revisions to the Agency's financial report submitted to New York State were required.
- The first payroll for 2009 was prepaid in 2008. All 2008 salary payments were not reported on individual W-2s for 2008.
- Oversight over banking was limited.

Detailed Findings

Internal Controls

A good system of internal controls over financial operations includes comprehensive policies and procedures, adequate segregation of duties and control activities.

Policies and Procedures

Finding

Fiscal policies and procedures depend largely on the knowledge and understanding of the office manager. Should the office manager become incapable of performing her duties or leave the organization the fiscal process would suffer significantly.

Recommendation

A comprehensive agency fiscal policy and procedure manual indicating individual accounting roles and responsibilities should be completed and updated periodically to provide continuity for the bookkeeping process.

Segregation of Duties

In response to the previous audit, the agency has improved the segregation of duties by the addition of staff and reassignment of some duties.

Financial Report Review to General Ledger

The 2008 SWCD Annual Report of the Treasurer to New York State (Annual Report) is the required NYS and Dutchess County document detailing SWCD's consolidated financial information. In addition, the Department of Planning requires the Dutchess County Contract Agency Final Reconciliation Statement. The Annual Report of the Treasurer was revised as a result of this audit. Attached as Exhibit I is a summary of SWCD's Revenues and Expenses for the period ending December 31, 2008.

Findings

1. Adjusting entries were made to prior months after the monthly financial reports were presented and accepted by the Soil and Water Board.
2. Adjusting entries made in the computer system were not printed out to provide an audit trail.
3. Monthly reports were not reviewed and compared to the detail ledger by anyone other than the Office Manager.
4. The Annual Report submitted to NYS had \$14,111.09 less in expenses than indicated by the Agency's 2008 ledgers. A revised report was completed to correct a computation error and to reflect the paychecks dated 12/31/08.

Note: The first three items above were also noted in the previous audit.

Recommendations

1. Monthly ledgers should not be revised once a monthly financial report is accepted by the board. Adjusting entries must be made in the month noted.
2. All adjusting entries for a given month must be printed and filed with the current month's ledgers to provide an accurate audit trail.
3. A monthly review of the Office Manager's entries to the detail ledger should be conducted by someone other than the Office Manager to assist in the prompt reconciliation of records as well as to provide a necessary separation of duties.

4. Reports must be verified by the Executive Director and appropriate board personnel for accuracy.

Expense Review

The 2008 Dutchess County funding for Soil and Water was \$279,500.00 as shown below. The claimed expenses reported were personnel services and fringe benefits and were allocated by the SWCD to the following programs:

Agriculture Environment Management Program	\$125,775.00
Community Environmental Management Program	128,570.00
Dry Hydrant Program	14,305.00
Education Programs	10,850.00
Total	<u>\$279,500.00</u>

Agency salaries totaling \$376,776.92 were compared to the W-2's and quarterly Federal and State tax submittals. Fringe benefit expenses were traced to the detail ledger.

Findings

1. The period one 2009 payroll checks which should have been dated Friday, January 2, 2009 were issued in advance and dated December 31, 2008.
2. In addition to being pre-issued, the checks were not included in employee 2008 W-2s. One paycheck, in the amount of \$1,779.13 cleared the Bank of Millbrook on December 31, 2008. The remaining payroll checks dated December 31, 2008 were not distributed until Friday, January 2, 2009.

Recommendations

1. Checks should not be pre-dated in advance of the pay date.
2. All 2008 dated salary payments should be reported on the 2008 W-2s.

Bank Statements

Soil and Water maintains five bank accounts and all five accounts and their respective reconciliations were reviewed.

Finding

The bank accounts were reconciled through December 2008. The May, September and November NOW checking statements reflected the Board Treasurer's signature indicating a review of the account. The other four accounts did not reflect any indication of a review.

Recommendation

All five bank accounts should be monitored by management and the board treasurer periodically. The review should be acknowledged by the signature or initials of the reviewer on the bank reconciliations.

Inventory

Soil and Water maintains an inventory listing of equipment purchases. This inventory listing was compared to the agency's detail ledger. Purchases made in 2008 included a vehicle, a computer, a printer and a cell phone. All items were located.

Findings

1. One computer purchased in June 2001, which was on the prior list was omitted from the current inventory list.
2. Two items were valued incorrectly. One computer purchased in March 2008 was listed with a cost of \$1,038.22; however, the correct cost was \$708.19. A cell phone purchased in December 2008 was listed with a cost of \$130.00. The correct cost was \$54.02.

Recommendations

1. Operating procedures should be put in place to review the inventory report for accuracy. The error of an item not listed also occurred in the last audit.
2. Items should be listed with correct values.

Note: Corrections were made to the inventory report at the time of our review.

Petty Cash

Soil and Water maintains a \$50.00 petty cash drawer. The petty cash disbursements were reviewed and the petty cash was counted. No discrepancies were noted.

Exhibit I - SWCD Revenue and Expense Statement

SWCD Revenue and Expense Statement

Dutchess County Soil & Water Conservation District

Revised Revenue and Expense Statement For the year Ending 2008

Revenue	Audited 2008
Dutchess County 2007 appropriations	\$78,312.25
Dutchess County 2008 appropriations	<u>232,951.00</u>
Dutchess County Total received 2008	\$ 311,263.25
Fees for Services, Other Reimbursement	94,948.17
Federal/State grants/Other Agreements	323,154.01
Non-Revenue Receipts	<u>1,791.93</u>
Total Revenue	<u>\$ 731,157.36</u>
Expense	
Personnel Services	\$ 371,885.15
Fringe Benefits	112,796.55
Supplies/Utilities/Operations	154,721.44
Travel/Training	22,674.39
Equipment	26,389.75
Other	9,372.48
Grants Special Projects	
Total Expenses	<u>\$ 697,839.76</u>
Net Gain/(Loss)	<u>\$ 33,317.60</u>

Source: SWCD Annual State Report, Committee Report and Detail Ledger