

Audit Report

Dutchess County Soil and Water Conservation District

Table of Contents

Comptroller's Summary	3
Background/Organization.....	3
Audit Scope, Methodology and Objective	3
Summary of Findings	3
Detailed Findings.....	3
Internal Controls.....	3
Exhibit I.....	7

Comptroller's Summary

Background/Organization

The Dutchess County Soil and Water Conservation District (DCSW) established in 1945 and authorized by State statute, coordinates state and federal conservation programs on a local level. The DCSW 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, 2009 through December 31, 2009. During the audited period, Dutchess County appropriated \$279,500.00 to the DCSW. The Dutchess County Department of Planning and Development is responsible for the distribution and oversight of these funds.

The audit included a review of:

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

Summary of Findings

- ❖ Recommendations from the previous audits regarding detailed policy and procedure manuals have been implemented.
- ❖ The agency has to complete revisions to the annual report.
- ❖ Payroll, 1099s and county claim records were found in good order.
- ❖ Documentation of Board minutes should include all pertinent financial decisions.

Detailed Findings

Internal Controls

Policies and Procedures

As provided by NYS, DCSW utilizes the "District Office Manual" which includes general policies and procedures and District Law. In addition, DCSW has prepared another manual to further specify office policies, procedures and duties specific to their local District.

Finding

- We noted in our previous audit that the Office Manager's job duties were not comprehensively documented. Since she was solely responsible for executing the majority of fiscal processes, we noted that it was detrimental to the DCSW to document processes and procedures for all accounting functions to ensure roles and responsibilities were carried forward for continuity in the bookkeeping processes. The local policies and procedures manual was developed to address this concern.

Recommendation

- Policies and procedures should be continuously updated to enhance and reflect current practices.

Cash Handling

We noted that two office staff primarily share the duties of cash handling. Oversight is provided daily by the Executive Director and periodically by the Board for financial activity. DCSW maintains five bank accounts and all five accounts and their respective reconciliations were reviewed. The bank accounts were reconciled through December 2009. The Treasurer reviewed and initialed all bank statements for the months of January, April, and May.

Finding

- Funds were held for extended period's of time (weeks) prior to remittance for deposit.

Recommendation

- Funds should be deposited timely.

Financial Reporting

The 2009 DCSW Annual Report of the Treasurer to New York State is the required NYS and Dutchess County document detailing DCSW's consolidated financial information. In addition, the Department of Planning requires the preparation of the Dutchess County Contract Agency Final Reconciliation Statement. We reviewed all reports for completeness and accuracy and traced all accounts to the general ledger. DCSW uses the cash basis for accounting. Revenues representing all cash reported in 2009 totaled \$544,255.52 and expenses paid totaled \$569,936.73 resulting in a cash loss of \$25,681.21.

Findings

- While the DCSW reports a loss for 2009; there were funds due to DCSW which were outstanding for 2009 (including the 4th quarter from Dutchess County). Since DCSW does not maintain a formal record in their accounting software of Accounts Receivable and Accounts Payable transactions, a complete accounting of DCSW is not readily available. *NYS is proposing all*

Districts change to the modified accrual accounting method for the next annual financial report.

- The following discrepancies were noted in the annual report:
 - Office expense was inadvertently recorded as office equipment.
 - Gas and oil for machinery was inadvertently recorded as motor vehicle equipment.
 - Petty Cash was incorrectly reported as revenue.

Recommendations

- To ensure a full accounting of all finances, DCSW should implement the modified accrual method of accounting and record all accounts receivable and accounts payable.
- An amended Annual Report should be filed with NYS to correct the revisions noted above.

Attached as Exhibit I is a summary of Revenues and Expenses for the period ending December 31, 2009. The Fund Balance activity for 2009 follows:

Beginning Fund Balance 01/01/09	\$114,637.33
Plus: Cash Receipts	544,255.52
Minus: Cash Disbursements	<u>(569,936.73)</u>
Ending Fund Balance 12/31/09	<u>\$88,956.12</u>

County Appropriation

The 2009 Dutchess County appropriation for DCSW was \$279,500.00. Claims were for personnel services and fringe benefit costs to the following programs:

<u>Personnel Services</u>	<u>Total Claimed and Paid</u>
Ag Environmental Management Program	\$125,775.00
Community Environmental Management Program	128,570.00
Dry Hydrant Program	14,305.00
Education Program	<u>10,850.00</u>
Total Personal Services & Fringe Benefits	<u>\$279,500.00</u>

DCSW salaries totaling \$372,421.75 were compared to the W-2's and Federal and State tax submittals. Fringe benefit expenses were traced to the detail ledger. *We noted in our previous audit that payroll checks were pre-issued with a date of December 31, 2008 and were not included in the 2008 W-2. However, these check amounts were included on the 2009 W-2s.*

Finding

- At the December 16, 2009 Board meeting, a "one time salary adjustment" was approved with the intent of authorizing the final 2009 payroll check to be dated December 31, 2009 for the period ending January 2, 2010. The Board minutes did not clearly state the date change as the reason for a one time salary adjustment; however, the secretary's notes indicated the intent.

Recommendation

- The Board minutes should clearly document the intent of all salary adjustments. In addition, we recommend again that checks should not be dated prior to the end of the pay period.

Health Insurance Buyout

At the December 17, 2008 Board meeting, the Board approved to pay 70% cost of health insurance to employees who opted not to participate in the employer's health plan. In reviewing the DCSW personnel procedures we noted that Health Insurance is paid by DCSW as *"One half of the difference between single and family coverage will be paid by the District if the employee wishes family coverage or two tier level"*.

The following was expended for Health Insurance Buyout:

<u>Position</u>	<u>Amount</u>
CD Eng Tech*	\$309.18
Executive Director	\$7,787.26
CD Tech	<u>\$7,787.26</u>
Total Health Insurance Buyout	<u>\$15,883.70</u>

*Employee resigned - buyout for two months only

Finding

- We noted one employee's buyout was based on a health insurance premium 'single' rate and the other two buyouts were based on the 'family' rate. The buyout compensation method including the dollar amounts to be compensated were not documented in the board minutes.

Recommendation

- The buyout should be clearly documented in the board minutes with the associated dollar amounts to be paid.

Inventory

Soil and Water maintains an inventory listing of equipment purchases. This inventory listing was compared to the DCSW detail ledger. Computers received in 2009 were traced to the invoices. No discrepancies were noted.

Exhibit I

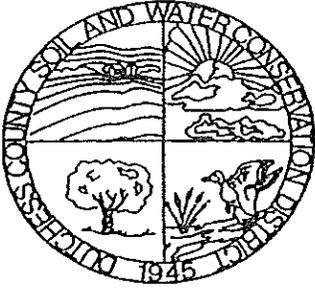
**Dutchess County Soil Water Conservation District
Revenue and Expense Statement
January 1, 2009 - December 31, 2009**

Income

District Tree & Shrub Program	\$34,193.37	
Bat & Bluebird Boxes	1,437.65	
Interest & Earnings	223.84	
Sale of Supplies (Books & Maps)	598.00	
Insurance Recovery	1,136.98	
Workshops & Environmental Education	541.00	
Ag Value Assessment Soil Group Worksheet	9,920.00	
Consultation (GIS copies)	2,065.00	
Workshop Registration	4,752.00	
MS-4 (Membership & Reimbursement)	10,718.50	
County Appropriation	262,081.00	
State Grants/Reimbursement	216,227.36	
Sales Tax Due To State	152.96	
Refund Prior Years	207.86	
Total Income	<u>544,255.52</u>	\$544,255.52

Expense

Personal Services	\$357,759.11	
Fringe Benefit	96,597.33	
Equipment - Computer	3,671.33	
District Tree & Shrub Program	30,269.22	
Grants/Special Projects	27,083.17	
Travel & Training - Directors	3,862.02	
Travel & Training - Employees	14,655.72	
Rent	3,360.08	
Telephone/Internet	3,883.15	
Office Supplies	5,752.29	
Information & Education (newsletters, field days, etc.)	1,408.12	
Insurance	12,768.23	
Dues	2,275.00	
Sales Tax	239.45	
Miscellaneous	535.71	
Vehicle Repairs	3,910.09	
Vehicle Expenses-fuel	1,906.71	
Total Expense	<u>569,936.73</u>	\$569,936.73
Gain / (Loss)		<u><u>(\$25,681.21)</u></u>



DUTCHESS COUNTY SOIL AND WATER CONSERVATION DISTRICT

2715 Route 44, Suite 3

Millbrook, NY 12545

Phone (845) 677-8011 ext. 3 Fax (845) 677-8354

April 22, 2009

James L. Coughlan, County Comptroller
22 Market Street
Poughkeepsie, New York 12601

Dear Mr. Coughlan:

The Directors and staff have reviewed a copy of your Draft Audit Report for Dutchess County Soil and Water Conservation District for the year January 1 through December 31, 2009 at our April 21, 2010 District Board Meeting.

We find the report to be fair and find your staff very helpful in identifying areas in which the District can improve our fiscal management process. We continue to incorporate the procedures recommended by the Comptroller's Office into our bookkeeping routine. We will continue to follow and review past recommendations by your Office, so as to keep an accurate accounting of our programs. The District continues to use the Audit Reports as a Risk Management Tool for the District's operations.

The Board at their monthly meeting adopted a cash handling policy that states all receipts be deposited within seven working days. This policy will be added to our Investment Policy.

We thank you and your staff for a professional job in auditing our financial reports and for the Audit Report with the findings and recommendations that always serve as further education in our bookkeeping procedures.

Sincerely,

Edwin J. Hoxsie III
Executive Director