

Audit Report

Dutchess County Soil and Water Conservation District
January 1, 2010 – December 31, 2010

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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, 2010 through December 31, 2010. 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:

- Policies and Procedures, Cash Handling
- The Annual Report of the Treasurer to New York State
- Claiming documents, payroll records including W-2s, and taxes
- Selected expenditures and receipts

Summary of Findings

- ❖ Recommendations from the previous audits regarding detailed policy and procedure manuals have been implemented.
- ❖ The agency needs to complete revisions to the annual report.
- ❖ Payroll records were in good order.
- ❖ Buyout for Health Insurance coverage should be reviewed for cost savings.
- ❖ The Agency has to finalize the reconciliation with Dutchess County for 2010.

Detailed Findings

Policies and Procedures

Our previous audit cited that local bookkeeping processes were not written to supplement the NYS "District Office Manual" which provides general policies and procedures.

Observation

- The DCSW has prepared additional documents which contain processes and procedures for critical accounting functions to ensure roles and responsibilities are carried forward for continuity in the bookkeeping processes. The recommendation of the prior audits has been implemented and these processes are continuously being updated.

Cash Handling

The duties of cash handling are shared by two office staff primarily. 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 and selected entries were reviewed for 2010.

Observations

- The bank accounts were reconciled through December 2010.
- Deposits were made in a timely manner.

Findings

- The Board Treasurer reviewed and initialed bank statements for January through October. However, at the time of our review, October through December statements had not been initialed by the treasurer to indicate review. When reviews were conducted by the treasurer they were done for several months at a time.
- An unsigned payroll check cleared the bank for \$1,882.86 without an authorized signature.

Recommendations

- The timely review of banking records is essential for proper oversight.
- Checks should be reviewed to ensure appropriate signatures are affixed.

Financial Reporting

The 2010 DCSW *Annual Report of the Treasurer to New York State* is the required document detailing DCSW's consolidated financial information. In addition, the Department of Planning requires DCSW to submit the "Certified Financial Statement

of Actual Expenditures & Funding Request” quarterly. At the time of our review, DCSW gave us a tentative final reconciliation statement and a ‘draft’ copy of their annual report. Both were awaiting presentation to their board. We reviewed reports for completeness and accuracy and recommended minor changes for the inclusion of accounts receivable and accounts payable entries. As of 2010, the Annual Financial Report required by New York State requires the District to report on the modified accrual method which includes the reporting of accounts receivables and accounts payables. The District has prepared the reports utilizing the State’s current guidelines.

Throughout the year, DCSW uses the cash basis for accounting. Revenues representing all cash reported in 2010 totaled \$568,741.91 and expenses paid totaled \$592,527.67 resulting in a cash loss of \$23,785.76. The attached Exhibits replicate the DCSW's submitted schedules for the Cash Basis – Exhibit I and the Modified Accrual Basis – Exhibit II based on the NYS Treasurer report’s format.

Finding

- DCSW does not utilize the accrual method of accounting in their daily recordkeeping, accounts receivable and accounts payable transactions are not formally recorded in their accounting software.

Recommendation

- DCSW should implement the accrual method of accounting and record all accounts receivables and accounts payables in their software.

County Appropriation

The 2010 Dutchess County appropriation for DCSW was \$279,500.00 which provided funding for personal services and fringe costs for the following programs: Agriculture Environmental Management, Community Environmental Management, Hydrological Habitat Modification (HHM), and Education.

The scope of services as attached to the DCSW 2010 funding request to the County listed the following programs and goals:

Agriculture Environmental Management (AEM)-

To deliver State and Federal cost share programs and technical assistance to the agriculture industries of Dutchess County.

Community Environmental Management (CEM) -

Provide technical assistance to landowners and municipalities to meet State and Federal mandates of the Clean Water Act to reduce water quality impacts. Proper land use management, stream management, and flood prevention and remediation.

Hydrological Habitat Modification (HHM) –

Improve, protect water resources and natural habitats for public and private landowners. Access State and Federal programs to protect and improve water quality and natural habitats.

Education -

Educate the public and municipal officials on Natural Resource Management and identify programs that can be utilized to address natural resource needs.

Observations

- A total of \$275,127.00 has been paid for 2010 to DCSW as of this review. We received a tentative Agency Final Reconciliation Statement which contained salary and fringe expenditures totaling \$299,523.41 for the programs funded by Dutchess County. Personal Services totaled \$278,525.67 and Fringe Costs totaled \$20,997.74. Since the expenditures are in excess of the county funding of \$279,500.00 the remaining \$4,373.00 allocation is anticipated to be paid to DCSWD upon final reconciliation with the Department of Planning.

Payroll Records

Seven employee salaries were claimed for the funded programs. Salaries were compared to w-2s and no discrepancies were noted. Federal and State tax reports were reviewed and filed accordingly with the respective agencies.

Health Insurance Buyout

At the January 20, 2010 meeting, the Board authorized the continuance of the Health Insurance Buyout at 70% cost of health insurance to employees who opted not to participate in the employer's health plan. In reviewing the DCSW personnel procedures, Health Insurance is paid by DCSW as follows: A single plan is paid by the district in its entirety; however, *"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 buyout paid was determined based on this criteria. Buyout income is added to salary compensation each pay period and is taxable income.

In 2010, two positions received \$8,825.21 each for a total of \$17,650.42 expended for the Health Insurance Buyout.

Observation

- In comparing health insurance buyout costs, we noted that two union contracts with Dutchess County employees contain annual health insurance buyouts of \$1,250.00 for single coverage and \$2,500.00 for family coverage. The DCSW buyout appears to be excessive compared to the county plans.

Findings

- DCSW buyouts paid were based on the 'family' rate and the buyout compensation method including the dollar amounts to be compensated were not documented in the board minutes to ensure disclosure.
- The individuals who received the buyout salaries are charged to county funding.

Recommendations

- The buyout compensation dollar amounts should be clearly documented in the board minutes including the methodology.
- Funding for the buyout should be comparable to other buyout plans.

Exhibit I - Revenue and Expense Statement

Dutchess County Soil Water Conservation District
 Revenue and Expense Statement
 January 1, 2010 - December 31, 2010
 (Cash Basis)

Income

District Tree & Shrub Program	\$34,203.85	
Interest & Earnings	247.92	
Sale of Supplies (Books & Maps)	196.50	
Insurance Recovery	2,263.53	
Workshops & Environmental Education	1,148.99	
Ag Value Assessment Soil Group Worksheet	8,410.00	
Consultation (GIS copies)	816.00	
Sales Tax Credit	248.76	
Workshop Registration	44,285.00	
Reimbursement Conference /Training	2,088.66	
MS-4 (Membership & Reimbursement)	3,500.00	
County Appropriation*	270,905.00	
State Grants/Reimbursement	200,427.70	
Total Income		\$568,741.91

Expenses

Personal Services	\$374,799.14	
Employee Benefits	123,405.96	
Equipment – Computer	1,435.45	
District Tree & Shrub Program	20,701.72	
Grants/Special Projects	11,509.10	
Travel & Training – Directors	3,726.41	
Travel & Training – Employees	15,427.27	
Rent to Cornell Cooperative Extension	6,378.31	
Telephone/Internet	4,325.51	
Office Supplies	4,933.21	
Information & Education	1,405.00	
Insurance	5,572.00	
Liability	916.00	
Inland Marine	188.00	
Professional Liability	1,217.00	
Surety Bond	83.03	
Other	8,935.79	
Dues: NYACD, NACD, Others	3,025.00	
Sales Tax	145.26	
Envirothon	576.77	
Repairs to Equipment	1,263.08	
Gas and Oil	2,558.66	
Total Expenses		\$592,527.67
Gain / (Loss)		(\$23,785.76)

*County payments as shown above are on the cash basis and include 2010 payments made for 2009 and do not include final 2010 payments.

Exhibit II - Assets, Liabilities and Fund Balance

Dutchess County Soil Water Conservation District
January 1, 2010 - December 31, 2010
(Modified Accrual)

Assets		
Cash	\$51,905.02	
Petty Cash	50.00	
State & Federal Aid Receivables, Other	56,037.00	
Due From Other Governments	73,563.00	
Accounts Receivable	13,165.00	
Due From Other Funds	<u>18,725.98</u>	
Total Assets		<u>\$213,446.00</u>
Liabilities		
Accounts Payable	\$43,425.89	
Accrued Liabilities	8,234.60	
Due to Other Governments (State, Federal)	563.30	
Leave Accruals	<u>13,014.79</u>	
Total Liabilities		\$65,238.58
Fund Balance		
Restricted - Grant Advance	\$34,404.00	
Fund Balance Appropriated	<u>113,803.42</u>	
Total Fund Balance		<u>\$148,207.42</u>