

AUDIT REPORT

**Dutchess County Soil and Water Conservation District
January 1, 2013 – December 31, 2013**

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Comptroller's Summary

Soil and Water continues to struggle with complying fully with the required accrual accounting method and also the oversight and monitoring of the agency's cash flow which is affecting their fiscal stability. While conducting our annual review, the Executive Director and the District Secretary who were both responsible for the accounting records retired in 2014. The District Secretary did maintain a part-time presence to make corrections and assist with the audit completion.

Organization and Background

The Dutchess County Soil and Water Conservation District (DCSW) was established in 1945. The DCSW was authorized by State statute, as a quasi government agency set up to coordinate state and federal conservation programs at the local level. The district 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, Objective and Methodology

An audit was conducted of the Dutchess County Soil and Water Conservation District for the period of January 1, 2013 through December 31, 2013. During the audited period, Dutchess County appropriated \$235,000 to 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:

- The Annual Report of the Treasurer to New York State
- Policies and Procedures, Cash Handling
- Claiming documents, payroll records including W2's and tax documents
- Selected expenditures and receipts

Summary of Findings

- ❖ Entries recording accruals and reversals were not incorporated in DCSW records during 2013 resulting in delays in finalizing 2013 financial statements.
- ❖ Fees were incurred on late payments for the NYS retirement costs; the retirement invoice for 2012 was paid in 2013. The 2013 retirement invoice had not been paid as of the due date February 1, 2014, incurring 7.5% in late charges.

Financial Reporting

The 2013 DCSW Annual Report of the Treasurer to New York State is the required document detailing DCSW's consolidated financial information.

Revenues reported in 2013 totaled \$749,146.36 and expenses totaled \$779,108.56. The Statement of Income and Expenses is shown as Exhibit I. The Summary of Changes in Fund Balance and the Operating Fund Balance Sheet as reported by Soil and Water for the time period ending 12/31/13 is attached as Exhibit II.

Finding:

There were numerous errors in the posting of revenue and expenditures that required correction to become compliant with the accrual method of accounting which were corrected during our review. The beginning fund balance for 2013 was not the ending fund balance from 2012. The books were not formally closed and entries to 2012 would cause the ending fund balance to change after last year's reporting. The beginning fund balance for 2013 was \$880 higher. We were unable to ascertain where the change occurred.

Recommendation:

Oversight and monitoring of the agency's financial records must be increased by the Board to ensure monthly financials are based on accurate postings.

County Appropriation

The Dutchess County Soil and Water Appropriation for 2013 was \$235,000.00. Claims made to Dutchess County were for personal services and fringe benefits for the following programs:

<i>Personal Services</i>	1st qtr	2nd qtr	3rd qtr	4th qtr	Total Claimed
Ag Environmental Management Program	\$17,831	\$11,781	\$12,062	\$11,576	\$53,250
Community Environmental Mgmt Program	17,613	26,053	14,669	(3,585)	54,750
Hydrological Habitat Modification Program	14,643	17,169	11,724	9,964	53,500
Education Program	4,000	3,036	11,133	(2,419)	15,750
Total Personal Services/Programs	\$54,087	\$58,039	\$49,588	\$15,536	\$177,250
<i>Fringe</i>	1st qtr	2nd qtr	3rd qtr	4th qtr	Total Claimed
Ag Environmental Management Program	\$1,686	\$964	\$1,156	\$13,944	\$17,750
Community Environmental Mgmt Program	1,834	2,137	1,350	12,929	18,250
Hydrological Habitat Modification Program	1,143	1,457	978	13,922	17,500
Education Program	0.00	259	1,572	2,419	4,250
Total Fringe/Programs	\$4,663	\$4,817	\$5,056	\$43,214	\$57,750
Total Personal Services & Fringe Claimed & Paid per Program	\$58,750	\$62,856	\$54,644	\$58,750	\$235,000

Account Review

Personnel Expenses, Retirement Bill and Cash flow

- Employee wages for 2013 W2's/W3 amounted to \$429,066.67; ten employees and two interns were included in the total. Federal and State payroll tax remittances were reviewed for accuracy and timeliness in submittal.
- The district pays for employee health insurance costs at 100% for single coverage and for other plans the single rate plus 50% of the difference between the single plan and the plan of choice. A health insurance buy-out is also offered; in 2013 the Board approved to reimburse those individuals who selected the health insurance buyout 62% for 2013. A total of \$18,308.72 was paid for 2013 employee buyouts for two individuals. Buyout payments were added as income in the respective W2's.

Findings:

- The 2012-2013 NYS Retirement annual payment (due February 1, 2013) assessed for \$66,806 was paid partially on February 13, 2013 and March 11, 2013, and incurred penalty fee payments totaling \$525.81 bringing the total cost paid in 2013 to \$67,331.81.
 - The 2013-2014 NYS retirement invoice of \$104,868 was due by December 15, 2013; if not paid \$105,812 was due by February 1, 2014. The invoice had not been paid as of our initial review; the total expense was entered as a 2013 Accounts Payable.
 - Per NYS Retirement "A penalty of 7.5% in delinquency interest" was accruing to the \$105,812 for the missed 2014 deadline and will continue until all payments are made.

NOTE: The agency indicated cash flow issues have predicated the delayed payments for 2012 and 2013 and will continue in 2014.

Recommendations:

- While partial payments have been made to NYS, the continuation of the delayed payments incurs interest penalties as well as continued cash flow issues. In addition, it places the agency in a precarious financial situation.
- The retirement expense is a direct cost and should be paid prior to incurring discretionary costs and increasing personnel costs. **Cash flow issues must be addressed.** Based on our observations the following areas should be reviewed:
 - 1) Travel expenses which were recorded as \$17,900 for 2013.
 - 2) The reduction in personnel costs.
 - 3) The tracking of revenue sources such as grants to the expenditures for specific grants. There were no spreadsheets showing the tracking of each grant to expenses to assist in cash flow monitoring. Grants have various terms which may extend to multiple years.

Maintenance Fee

Soil and Water has an agreement with Cornell Cooperative Extension of Dutchess County to share expenses for maintenance of the Farm and Home Center Building; in 2013 the maintenance fee totaled \$4,797.53.

Fixed Asset Inventory/Equipment

In 2013, the inventory worksheet attached to the NYS Annual Report of the Treasurer contained fifteen (15) items for a total value of \$92,292.38; which included vehicles, a copier, a projector, computer equipment, a GPS data logger and a Hydroseeder, which was purchased in July 2013 for \$32,276.25.

Inventory for Resale

According to agency records, expenditures totaled \$19,129.01 in 2013. Sales recorded for 2013 were \$26,013.90.

Finding:

- The Tree/Plant sales and order inventories are not reconciled. Preorders, orders and receipts are separately maintained by three individual employees. The purchases are not reconciled to a subsequent inventory and sale summary. There is no accountability for product and funds when reconciliations are not performed.

Recommendation:

- The receipts and inventory of tree/plant orders should be reconciled to ensure the accuracy of revenues received and expenditures incurred and to account for all items purchased and disbursed, as well as loss. All discrepancies should be promptly investigated and resolved. Any additional costs incurred for the Tree/Plant sale should be recorded and included in a simple profit and loss statement to properly account for this event.

IRS Form 1099 Misc

The IRS requires payments of \$600 or more to vendors be reported on IRS Form 1099 Misc. One 1099 was issued in 2013. To obtain information for 1099 filings, a Federal W-9 "Request for Taxpayer Identification Number and Certification" form should be collected from individuals and businesses who receive monies from DCSW.

Finding:

- DCSW did not require W-9's from all vendors.

Recommendation:

- DCSW should request a Federal W-9 form from each vendor prior to payment.

Exhibit I	
Statement of Income and Expenses	
INCOME	
District Tree & Shrub Program	\$ 26,013.90
Hydro seeding	10,204.87
Interest & Earnings	33.94
Sale of Supplies (Books & Maps)	82.00
Insurance Recovery	570.68
Gifts & Donations	148.99
Workshop Registration	43,153.51
Misc Reimbursements	2,891.21
Ag Value-Soil Group Worksheet	7,360.00
Misc , Copies GIS	300.00
County Appropriation	235,000.00
State Aid Grants/Reimbursements	422,688.11
Refund of Prior Years Expenses	699.15
Total Income	<u>\$ 749,146.36</u>
EXPENSE	
Personal Services	\$ 413,005.53
Fringe	216,634.21
Compensated Absences	13,248.08
Equipment	36,698.88
District Tree & Shrub Program	19,129.01
Conservation Practice Supplies	3,008.11
Payments to others for Workshop	25,089.07
Travel/Training Directors	1,511.67
Travel/Training Employees	16,381.98
Rent (Maintenance Fee)	4,797.53
Telephone/Internet	3,398.72
Office Supplies	3,502.22
Construction Supplies	21.32
Information& Education (Newsletters, Field days, Envirothon)	1,774.87
Insurance	11,191.36
Sales Tax	121.88
Dues	2,275.00
Subscription	142.00
Repairs to Equipment (Field)	3,147.48
Vehicle Fuel	4,029.64
Total Expense	<u>\$ 779,108.56</u>

Exhibit II

SUMMARY OF CHANGES IN FUND BALANCE	
Beginning Fund Balance	\$ 118,750.82
Plus: Total Revenues	\$ 749,146.36
Sub Total	\$ 867,897.18
Less: Total Expenditures	\$ 779,108.56
Ending Fund Balance	<u>\$ 88,788.62</u>

OPERATING FUND BALANCE SHEET			
ASSETS		LIABILITIES	
Cash	\$ 63,301.00	Accounts Payable	\$ 2,619.00
Petty Cash	\$ 100.00	Accrued Liabilities - Retirement	\$ 105,812.00
Total Cash & Investments	\$ 63,401.00	Compensated Absences	\$ 13,248.00
		Other Liabilities	\$ 3,341.00
		Sales Tax Payable	\$ 127.00
		Total Liabilities	\$ 125,147.00
Accounts Receivable	\$ 2,537.00		
State & Federal Aid Receivables	\$ 138,403.00		
Due from Other Funds		FUND BALANCE RESTRICTED	
Due from Other Governments	\$ 5,290.00	Cash Dedicated Funds	\$ 4,305.00
Prepaid Expenses	\$ -	Total Restricted fund	\$ 4,305.00
Total Receivables	\$ 146,230.00		
		Fund Balance Unassigned	\$ 84,484.00
Cash Special Reserves	\$ 4,305.00	Total Fund Balance	\$ 88,789.00
Total Assets	\$ 213,936.00	Total Liabilities & Fund Balances	\$ 213,936.00