

AUDIT REPORT

Dutchess County Soil and Water Conservation District
January 1, 2014 – December 31, 2014

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Comptroller's Summary

During 2014, the Executive Director and the District Secretary retired; cash flow issues prevalent in 2013 continued to be of concern, and accounting records were not converted entirely to the required modified accrual accounting method.

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, 2014 through December 31, 2014. During the audited period, Dutchess County appropriated \$265,000 for funding of DCSW. This contract was under the auspices of the Dutchess County Department of Planning and Community Development. In addition, the Department of Planning and Community Development contracted with the DCSW in 2013 to develop a new Agricultural and Farmland Protection Plan for Dutchess County. The two year contract provided additional funding up to \$16,298.

The audit included a review of:

- The Annual Report of the Treasurer to New York State
- Accounting records including journal entries, claiming documents and payroll records
- Policies and Procedures
- Selected expenditures and cash receipts

Summary of Findings

- ❖ Entries recording accruals and reversals were not incorporated in DCSW records during 2014 resulting in delays in finalizing 2014 financial statements.
- ❖ A separation of duties for accounting transactions was not maintained after the District Secretary retired.

Financial Reporting

The 2014 DCSW Annual Report of the Treasurer to New York State is the required document detailing DCSW's consolidated financial information. Revenues reported in 2014 totaled \$634,186.59 and expenses totaled \$601,373.75. 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 12/31/14 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.

Recommendation:

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

Cash Handling and Petty Cash

Prior to the retirement of the District Secretary, the duties of cash handling were shared by two office staff. Since the District Typist has taken over responsibility of the accounting records, there is no separation of duties. The Board Treasurer does review the bank reconciliations periodically.

SWCD maintains a petty cash account in the amount of \$100. At the time of our review, the petty cash account was reconciled to \$100.

Findings:

- Currently, the District Typist receives and disburses funds, posts to the general ledger, safeguards the funds in the safe, prepares the deposit, takes the deposit to the bank and reconciles the bank accounts.
- Petty cash replenishments were not timely.

Recommendations:

- While SWCD has a limited number of staff, a separation of duties regarding the depositing and disbursing of funds must be maintained in order to provide proper internal control.
- The petty cash account should be replenished at least quarterly and at the fiscal year end.

County Appropriation

The Dutchess County Soil and Water Appropriation for 2014 was \$265,000. The full amount of \$265,000 was paid to DCSW. As shown below, costs for the program areas exceeded the annual appropriation and claims were for the time period January through November. Funding was requested for personal services and fringe benefits for the following programs:

Personal Services	Jan-March	April-May	June-August	Sept-Nov	Total Claimed
Ag Environmental Management Program	\$17,930	\$13,740	\$14,834	\$17,516	\$64,021
Community Environmental Management Program	19,139	14,377	17,914	21,750	\$73,181
Hydrological Habitat Modification Program	18,727	7,893	14,126	20,059	\$60,805
Education Program	<u>9,243</u>	<u>8,406</u>	<u>1,525</u>	<u>0</u>	<u>\$19,174</u>
Total Personal Services/Programs	\$65,039	\$44,416	\$48,400	\$59,326	\$217,181
Fringe					
Ag Environmental Management Program	\$413	\$1,123	\$14,531	\$4,648	\$20,715
Community Environmental Management Program	0	1,171	14,933	5,114	\$21,217
Hydrological Habitat Modification Program	588	675	14,266	4,314	\$19,843
Education Program	<u>201</u>	<u>742</u>	<u>3,733</u>	<u>0</u>	<u>\$4,676</u>
Total Fringe/Programs	\$1,202	\$3,711	\$47,463	\$14,076	\$66,451
Total Personal Services & Fringe Claimed Program	<u>\$66,241</u>	<u>\$48,127</u>	<u>\$95,863*</u>	<u>\$73,401</u>	<u>\$283,632</u>

*Costs for the retirement expense were higher than normal due to deferment of payment. The fringe benefit claims for June-August included claims for 2014 retirement expense not previously claimed.

Contract #13-0320-12/14-PL – Agricultural and Farmland Protection Plan

This above contract was written for the time period January 1, 2013 – December 31, 2014 in the amount of \$16,298 for DCSW. The Department of Planning and Community Development contracted with the SWCD in order to develop a new Agricultural and Farmland Protection Plan for Dutchess County. The SWCD provided technical resources to assist with the plan development.

DCSW claimed and was paid \$2,039.72 as follows:

January - December 2014	Jan-March	April-Dec	Total Claimed	Agency In Kind Service	Total
Salary	\$681.98	\$726.96	\$1,408.94	\$1,890.27	\$3,299.21
Fringe	<u>308.70</u>	<u>322.08</u>	<u>\$630.78</u>	851.53	<u>\$1,482.31</u>
Grand Totals	<u>\$990.68</u>	<u>\$1,049.04</u>	<u>\$2,039.72</u>	<u>\$2,741.80</u>	<u>\$4,781.52</u>

Account Review

Personnel Expenses, Retirement Bill and Cash flow

- Employee wages for 2014 amounted to \$391,536.57. 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 2014 the Board approved to reimburse those individuals who selected the health insurance buyout 62% for 2014. A total of \$15,675.99 was paid for 2014 employee buyouts for three individuals. Buyout payments were added as income in the respective W2's.
- Beginning in 2015, the health insurance buyout amount was reduced to \$1,000 for either family or individual coverage. This is a more realistic amount to approve based on various surveys.
- The 2014-2015 NYS retirement invoices in the amount of \$56,639 was due by December 15, 2014; if not paid \$57,145 was due by February 1, 2015. The full amount of \$57,145 was paid January 2015.

Finding:

- The 2013-2014 NYS retirement invoice in the amount of \$104,868 was due by December 15, 2013; if not paid, \$105,812 was due by February 1, 2014. A total of \$107,565 which included \$1,753 in penalties was paid as of August 2014.

Recommendation:

- The Acting Executive Director has been addressing cash flow issues from the previous administration and was able to pay the 2014-2015 retirement expense prior to February 2015; however the agency should consider taking advantage of the discount if paid by December 2014. A savings of \$506 could have been realized.

Credit Card Purchases

The agency maintains two credit card accounts. Each authorized employee has a credit card in their own name and is responsible for the safekeeping of the credit card. The Acting Executive Director approves all purchases prior to the actual purchase. Expenses charged to the credit card included: meetings, conferences, outside travel, accommodations internet purchases and office supplies.

Finding:

- Actual credit card receipts were not consistently filed with the statements in the beginning of 2014. In some cases, the receipts could not be located.

Recommendation:

- The credit card receipts should be retained with and compared to the monthly credit card statement.

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 2014 the maintenance fee totaled \$3,998.79. Dutchess County owns the Farm and Home Center Building and major repairs are provided by Dutchess County. Cornell separately receives funding from Dutchess County for the programs housed at this site.

Fixed Asset Inventory/Equipment

In 2014, the inventory worksheet attached to the NYS Annual Report of the Treasurer contained fifteen (15) items for a total value of \$111,142.38; which included vehicles, a copier, a projector, computer equipment, a GPS data logger and a Hydro seeder.

Observations:

- The equipment item inventory and related depreciation is not recorded in DCSW's software system resulting in an understatement of assets. According to the agency, New York State does not require

this. However, the annual report filed with NYS does require a listing of the inventory and respective purchase amounts. There is no written requirement to record depreciation.

Inventory for Resale

According to agency records, expenditures totaled \$14,928.53 in 2014. Sales recorded for 2014 were \$22,389.19.

Findings:

- SWCD is not fully utilizing the inventory for resale function in QuickBooks. While the Agency has tried to enter inventory amounts in the system, these amounts were not consistently reduced when a sale was made. It was difficult to determine exact amounts sold.
- Seedling sale order forms were not maintained once the sale was completed.
- Employees were unfamiliar with the use of the inventory function in QuickBooks.

Recommendations:

- The inventory system should be used in its entirety to provide additional internal control and accurate accounting of equipment inventory and resale items. Additional training should be undertaken to accomplish this in QuickBooks.
- Seedling sale order forms should be maintained until after the annual audit.

IRS Form 1099 Misc.

The IRS requires payments of \$600 or more to vendors be reported on IRS Form 1099 Misc. 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 issue a 1099 to one vendor in the amount of \$5,835.70.

Recommendation:

- DCSW should issue all required 1099s. *Note: The 1099 was issued to the vendor during our audit field work.*

Exhibit I - Statement of Income and Expenses	
INCOME	
District Tree & Shrub Program	\$22,389.19
Hydro seeding	2,202.90
Interest & Earnings	27.61
Sale of Supplies (Books & Maps)	67.5
Insurance Recovery	567.38
Gifts & Donations	563.5
Workshop Registration	34,455.00
Misc. Reimbursements	893.13
Ag Value-Soil Group Worksheet	5,430.00
Misc. , Copies GIS	645
County Appropriation	267,039.72
State Aid Grants/Reimbursements	299,905.66
Total Income	<u>\$634,186.59</u>
EXPENSE	
Personal Services	\$404,494.72
Fringe	128,494.51
Compensated Absences	299.11
Equipment	988.51
District Tree & Shrub Program	14,928.53
Conservation Practice Supplies	1,187.16
Payments to others for Workshop	3,460.26
Travel/Training Directors	1,774.32
Travel/Training Employees	11,046.44
Rent (Maintenance Fee)	3,998.79
Telephone/Internet	1,978.26
Office Supplies	5,172.53
Construction Supplies	134.61
Information & Education (Newsletters, Field days, Envirothon)	2,151.44
Insurance	11,163.30
Dues	1,108.00
Legal Services	5835.7
Miscellaneous	372
Repairs to Equipment (Field)	653.21
Vehicle Fuel	<u>2,132.35</u>
Total Expense	<u>\$601,373.75</u>

Exhibit II

SUMMARY OF CHANGES IN FUND BALANCE	
Beginning Fund Balance	\$88,785.62*
Plus: Total Revenues	<u>\$634,186.59</u>
Sub Total	\$722,972.21
Less: Total Expenditures	<u>\$601,373.75</u>
Ending Fund Balance	<u>\$121,598.46</u>

*Includes a rounding adjustment of \$3

OPERATING FUND BALANCE SHEET			
ASSETS		LIABILITIES	
Cash	\$70,149.00	Accounts Payable	\$124.00
Petty Cash	<u>\$100.00</u>	Accrued Liabilities - Retirement	\$43,422.00
Total Cash & Investments	\$70,249.00	Compensated Absences	\$13,547.00
		Other Liabilities	\$3,995.00
		Due to Other Governments	<u>\$600.00</u>
		Total Liabilities	\$61,688.00
Accounts Receivable	\$2,980.00		
State & Federal Aid Receivables	\$98,147.00	Deferred Inflow of Resources	<u>\$6,150.00</u>
Due from Other Funds		Total Deferred Inflow of Resources	\$6,150.00
Due from Other Governments	<u>\$13,752.00</u>		
Prepaid Expenses		FUND BALANCE RESTRICTED	
Total Receivables	\$114,879.00	Cash Dedicated Funds	<u>\$4,308.00</u>
		Total Restricted fund	\$4,308.00
Cash Special Reserves	<u>\$4,308.00</u>		
		Fund Balance Unassigned	<u>\$117,290.00</u>
		Total Fund Balance	<u>\$121,598.00</u>
Total Assets	<u>\$189,436.00</u>	Total Liabilities & Fund Balances	<u>\$189,436.00</u>