

Audit Report

Dutchess County Soil and Water Conservation District
January 1, 2011 – December 31, 2011

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Comptrollers 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 (DCSW) for the period January 1, 2011 through December 31, 2011. During the audited period, Dutchess County appropriated \$200,000 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 W-2s and tax documents
- Selected expenditures and receipts

Summary of Findings

- ❖ Bank account reconciliations were up to date and reviewed by the board treasurer
- ❖ All accounts receivable and accounts payable entries were not input into the agency's software system resulting in differences in the financial reporting
- ❖ Inventory is not recorded in the agency's software system
- ❖ Health insurance buyouts are in excess of County buyout amounts

Financial Reporting

The 2011 DCSW *Annual Report of the Treasurer to New York State* is the required document detailing DCSW's consolidated financial information.

Revenues representing all cash reported in 2011 totaled \$665,434.79 and expenses paid totaled \$607,475.33 resulting in a gain of \$57,959.46 (*CASH BASIS*). DCSW's Revenue and Expense Schedule is shown as Exhibit I.

Observations:

- Over the past several years, NYS has requested the gradual transition to modified accrual accounting for the annual financial report. However, agencies are not required to utilize accrual accounting for all areas resulting in differences. Specifically, written 'guidance' from NYS for accounting and annual report preparation appeared to be contradictory for reporting leave accrual, liabilities, inventory and fund balance.

- DCSW primarily utilizes cash basis accounting rather than the accrual method of accounting in their daily recordkeeping. To complete the annual financial report, DCSW reviews their accounts and prepares excel spreadsheets detailing accounts receivable, accounts payable and inventory.

Findings

- Accounts receivable, accounts payable, inventory and fund balance are not correctly recorded in the agency's software which results in differences reported on the annual financial report. The excel spreadsheets of Accounts Receivable and Accounts Payable did not capture all 2011 accruals. *While reviewing the Accounts Receivable and Accounts Payable entries with staff, corrections were made, where feasible. In addition, the annual report was corrected and a revised submission was prepared by the agency.*
- Additional training by staff may assist in the full transition to accrual accounting.

Recommendations

- DCSW should fully implement the accrual method of accounting and record all accounts receivables, accounts payables, inventory and fund balance in their accounting software.
- Employees should receive additional training to aid in the understanding and proper use of accrual accounting in the accounting software.

County Appropriation

The 2011 Dutchess County Appropriation for DCSWD was \$200,000. Claims made to Dutchess County were for personnel services and fringe benefit costs to the following programs:

	Claimed and Paid
AG Environmental Management Program	\$ 66,000
Community Environmental Management Program	68,000
Education Program	20,000
Hydrological Habitat Modification	46,000
Total Personnel & Fringe Benefits	\$200,000

Account Review

Personnel Associated Expenses

Employee W-2's amounted to \$386,221.72. Federal and State tax remittances were reviewed for accuracy and timeliness in submittal. The annual NYS retirement payment was assessed as \$55,086 with a due date of February 1, 2012 or if remitted by 12/15/11, a total of \$54,599 was due resulting in a savings of \$487.

Findings

- Two submittals for quarterly tax payments were not timely. DCSW received a late penalty and interest fine on the NYS-45 for a total of \$65.52 for the third quarter. In addition, the fourth quarter Federal 941 was filed late. DCSW staff explained the reports were filed, but the payment did not properly transfer from the bank account. To date a late fee has not been assessed for the Federal return.
- Payment to the NYS Retirement System was paid late on 2/10/12 resulting in an \$80.36 late fee.

Recommendations

- DCSW should ensure tax payments are paid on time to avoid interest and penalties.

- Payments to NYS retirement should not be paid late and where possible the early payment option should be utilized to realize savings.

Medical Insurance Buy-Out

Employees can elect to receive a medical insurance buy-out each year. Payments are issued after Board approvals. Board minutes, agency policy and payments were reviewed. Buy-out considerations paid were included in the respective employees W-2s.

Observations:

- A total of \$17,793.36 or \$8,896.68 each was paid to two employees in 2011. Buy-out calculations included the cost of dental insurance premiums and were based on a family plan.
- A comparison of three county contracted buy-outs was reviewed. Buy-out consideration paid by the County is \$2,500 per year.

Findings

- Funding for the buy-out plans is in excess of the County buy-outs. Dental insurance is not normally included in health insurance buy-out considerations.
- The cost of the health insurance buy-out was recorded in the general ledger under liabilities instead of as an expense. *During the audit, a correction was made to reflect the buy-out expense.*

Recommendations

- The Board should conduct an annual comparison of other entities buy-out considerations. Dental insurance is not normally included in health insurance buy-out considerations.
- Payments should be recorded as expenses and not as a liability.

Contractual

A total of \$40,539.50 was expensed in contractual agreements. A review of the 1099's issued was conducted.

Finding

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

Recommendation

- DCSW should request a Federal W-9 form from all vendors prior to payment issuance.

Maintenance Fee

Soil and Water had an agreement with Cornell Cooperative Extension of Dutchess County to pay shared expenses totaling \$4,364.27 for 2011 maintenance of the Farm and Home Center Building. Maintenance payments are split into three payments of \$1,454.76.

Finding

- The maintenance fee for the last four months of 2011 was not paid and accounted for as an accrual. *During our review, an entry was made to accrue the unpaid expense and a correction was made to the annual report to account for the accounts payable.*

Recommendation

- Maintenance fees should be paid in a timely manner. Any unpaid expense should be accrued and accounted for properly in the agency's financial records.

Inventory

DCSW did not purchase any additional inventory of equipment in 2011. The inventory worksheet attached to the annual report contained 18 items including; vehicles, telephones and computers. The State does not require the agency to report an inventory of items for resale which have a value of less than \$500.

Observations:

Fixed Asset – Equipment Inventory

- The equipment item inventory and related depreciation is not recorded in DCSW's software system.

Inventory for Resale

- The annual seedling and minor sale inventory exceeds \$24,000. Guidance from NYS for accounting for inventory items for resale allows for two methods. DCSW utilizes the one which allows 'charging inventories as expenditures when purchased and recording revenues when sold'. The other method of accounting provides for the active management of inventory items including documenting the material value in inventory, processing debits and credits as inventory is adjusted from stock or physical count.

Findings

- DCSW does not maintain an accounting of equipment inventory and depreciation in the accounting software. This results in an understatement of assets.
- The seedling inventory ordered and received by DCSW was not entered into the agency's accounting software resulting in the system having a zero balance of inventory. When entering the cash receipt, the system requires a "quantity sold" entry resulting in the employee making adjustment entries to the quantity on hand. Without recording inventory in and inventory out properly, DCSW is by-passing the internal accounting controls of the inventory program.

Recommendations

- The inventory system should be used in its entirety to provide additional internal control and accurate accounting of equipment inventory and resale items.
- Employees should receive additional training to aid in the understanding and proper use of the inventory components in the accounting software.

Exhibit I

Income	
District Tree & Shrub Program	\$24,750.55
Interest & Earnings	102.67
Sale of Supplies (Books & Maps)	208.00
Insurance Recovery	191.72
Workshop Registration	38,613.21
Ag Value Assessment Soil Group Worksheet	7,420.00
Consultation (GIS copies)	120.00
County Appropriation	195,484.00
State Grants/Reimbursement	321,484.38
Gifts and Donations	314.47
Sales Tax Credit	105.04
Other	747.50
Prior Year County Appropriation	72,563.00
Reimbursements	3,330.25
Total Income	\$665,434.79
Expense	
Personal Services	\$386,461.74
Fringe Benefit	115,833.59
Equipment	922.52
District Tree & Shrub Program	17,914.57
Contractual	40,539.50
Grants/Special Projects	6,589.02
Travel & Training - Directors	2,137.95
Travel & Training - Employees	13,317.20
Rent	2,909.52
Telephone/Internet	4,036.37
Office Supplies	4,773.19
Information & Education (newsletters, field days)	2,325.00
Insurance	2,575.97
Dues	2,250.00
Sales Tax	236.35
Miscellaneous	270.70
Vehicle Repairs	605.47
Vehicle Expenses-fuel	3,776.67
Total Expenses	\$607,475.33
Revenue in Excess of Expenses	<u>\$57,959.46</u>

**The above statement is on the Cash basis*