Audit Report

Dutchess County Soil and Water Conservation District

Table of Contents

Audit Report 1
Dutchess County Soil and Water Conservation District 1
Comptroller's Summary 3
Background/Organization 3
Audit Scope, Methodology and Objective 3
Summary of Significant Findings 3
Detailed Findings 4
General Ledger 4
Revenues 4
Expenses 5
Environmental Management Council 8
Exhibit I - SWCD Revenue and Expense Statement 10
Exhibit II – SWCD Consolidated Cash on Hand 11

Comptroller's Summary

Background/Organization

The Dutchess County Soil and Water Conservation District (SWCD), established in 1945 and authorized by State statute, coordinates state and federal conservation programs on a local level. The SWCD provides education and technical assistance on managing soil, water and related natural resources to municipalities, farmers, business owners and homeowners.

Prior to January 1, 2006, an executed county contract between Dutchess County Planning and the SWCD provided funding to Environmental Management Council (EMC) through December 31, 2005. Effective January 1, 2006, Dutchess County contracted with Cornell Cooperative Extension Dutchess County to provide support of EMC and Conservation Advisory Councils. Recordkeeping including accounts receivable and accounts payable for EMC continued into the first quarter of 2006.

As part of the county financial report, SWCD is a component unit; therefore, a more comprehensive audit is conducted by the Comptroller's Office.

Audit Scope, Methodology and Objective

An audit was conducted of the Dutchess County Soil and Water Conservation District for the period January 1, 2006 through December 31, 2006. During the audited period, Dutchess County appropriated $253,187.00 to the SWCD. The Dutchess County Department of Planning and Development is responsible for the distribution and oversight of these funds. SWCD uses a cash basis for accounting.

The audit included a review of:

- Annual Report of the Treasurer to New York State
- Claiming documents, board minutes
- Payroll records, 1099s
- Internal Controls including cash handling
- Revenues and Expenditures, Inventory
- EMC's 2006 activity

Summary of Significant Findings

- The SWCD Annual Report of the Treasurer to New York State and Cash On Hand was in balance with the detail ledger and bank accounts.
- Payroll, 1099s and county claim records were found to be accurately maintained.
- Internal controls regarding cash handling and oversight have improved since the previous audit.
- The accounting for grants continues to be a major concern. Grant recordkeeping is incomplete regarding documentation detailing accounts receivable and claim

reconciliation. Written policies and procedures for grant accounting have not been developed.

- Final reconciliation between SWCD and EMC's revenue and expense has not been completed. In addition grant claims have not been finalized and reconciled.

Detailed Findings

General Ledger

Revenues and expenses in the detail ledger were reconciled in total to the 2006 SWCD Annual Report of the Treasurer to New York State. This report is required by NYS and contains consolidated financial information for SWCD. The Revenue and Expense Statement for SWCD is attached as Exhibit I.

Revenues

County Appropriation

The 2006 County funding for Soil and Water was $253,187.00 as shown below. Claimed expenses were for personnel services and fringe.

Agriculture Environment Management Program	$126,493.00
Community Environmental Management Program	101,350.00
Dry Hydrant Program	15,246.00
Education Programs	10,098.00
Total	$253,187.00

A total of $193,685.88 was received in 2006 and $59,374.67 was received in 2007 for a total of $253,060.55 from 2006 appropriations. A total of $126.45 is remaining on the 2006 allocation.

Other Grants

A total of $203,385.54 was received from grants in 2006 as follows:

C301633 Community Environment Management	$7,635.56
C10605 Agriculture Environment Management	25,000.00
C00724 Southeast Water Quality	9,296.60
C302492 Coordination Project	543.77
C006289 Wappinger Creek Watershed	9,224.25
C010503 Southeast Water Quality	96,602.15
C00719 LHCCD Stormwater Project	10,881.71
County Groundwater #05-0228	7,653.00
Stormwater Assistance Grant	1,748.50
Watershed Agricultural Council	4,800.00
State Appropriation	30,000.00
Total	$203,385.54

Other grant funds received in 2006 were reviewed in addition to the claims made for the 2006 program year.

Findings:

- *There were no written policies and procedures for the accounting of grants. SWCD had incomplete records for various grants. Claim tracking and reconcilement from inception to grant completion was not conducted uniformly.*
- *SWCD did not maintain a complete record of claims to support their accounts receivable and reported revenue. Recordkeeping to account for grant advances, holdbacks and disallowances was incomplete.*

Recommendations:

- Establish written policies and procedures for the accounting of grants. All grants should be fully documented including terms, claim dates, amounts claimed by category, percentage of completion, supporting documentation for allocated and claimed expenses.
- A complete record to support the accounts receivable and revenue received for each grant must be maintained. Grant documentation should also include a complete record of receipts, hold back amounts, disallowances and advance reconciliations for an up-to-date and accurate audit trail.

Expenses

Personnel Services

Employee Salary

SWCD reported a total of $341,038.62 in personnel services. This amount was compared to employee W-2s, Federal and New York State payroll tax reports. No discrepancies were found. The following is a breakdown of the personnel services paid:

Soil and Water	$332,870.15
EMC	8,168.47
Total	$341,038.62

Finding:

- *SWCD's policy is to provide 26 pay periods per year with pay dates on Fridays. Upon reviewing payroll distribution, it was found some payroll payments were made in advance of the payroll date.*

Recommendation:

- Employees should not be advanced paychecks.

Director's Payments
SWCD pays their Board of Directors mileage plus $10 per meeting. A total of $450.00 for meetings and $636.92 for mileage was paid in 2006. Supporting documentation of these payments was reviewed and no discrepancies were found.

Credit Cards

SWCD has two credit card accounts. There are 5 credit cards available for use. Four cards are carried by employees and one is locked up in the office. A total of $10,403.89 was charged in 2006 as follows:

Gas	$ 578.04
US Postal Service	164.11
Travel	5,524.67
Computer/Equipment	2,475.96
Office Supplies	1,400.63
Miscellaneous	260.48
Total	$10,403.89

Finding:

- *A duplicated credit card payment was made in August 2006 resulting in a credit balance on the account. This error was carried through and corrected January 2007.*

Recommendation:

- Expense documentation should be reviewed carefully to prevent payment errors.

Inventory

SWCD policy is to record all equipment purchases on an inventory listing. In addition there is a separate listing maintained of computer equipment assigned to individuals. Purchases made in 2006 were inventoried. This included 5 desks with attachments, chairs, computer, printer, cell phones and a projector.

EMC's equipment was properly transferred to Cornell Cooperative Extension and removed from SWCD's inventory.

Findings:

- *A projector purchased through a NYS grant, identified under credit card purchases was not listed on SWCD's inventory.*
- *The inventory listing did not consistently list the cost of each item purchased.*

Recommendations:

- Soil and Water should document all inventory purchased through State/Federal grants and credit cards. The inventory listing should be complete with description, model/serial#, date of purchase, cost and source of funding. A periodic physical inventory should be performed and the listing updated. The listing was updated during the audit

Vehicle Travel

Three vehicles are listed on the agency inventory. Vehicle travel logs were reviewed for compliance to SWCD policy and procedures for the maintenance of travel logs.

Finding:

- *One vehicle did not have an updated travel log. The last record of mileage was recorded in October 2006 with mileage at 40,800. At the time of the audit-March 2007 the mileage listed for this vehicle was 51,167.*

Recommendation:

- Travel logs should be properly maintained in vehicles according to the SWCD policies and procedures.

Petty Cash

SWCD maintains a $50.00 petty cash drawer. The cash was counted March 2007 and the 2006 reimbursements were reviewed. A total of $136.00 was expended in 2006 as follows:

Postage	$ 37.78
Food	46.12
Supplies	52.10
Total	$136.00

Finding:

- *In February 2007 the petty cash account was replenished in the amount of $13.86 instead of the actual replenishment amount of $36.14. A corrected replenishment should be approved at the next board meeting.*

Recommendation:

- Petty cash should be reconciled and replenished accurately.

Internal Controls, Banking and Cash Handling

Soil and Water maintains five bank accounts, each designated for a specific purpose. A review of the bank reconciliations included: oversight, cancelled checks, authorized

signatures and endorsements. Expenses are approved monthly by the board based on the budget. Checks are written once a week and signed by the director. Funds received are either receipted manually for "walk in" receipts or computer generated for mail in receipts.
Segregation of duties is limited due to the number of staff at SWCD. Cash is receipted, entered into the detail ledger and a deposit ticket is generated all by the same individual. Since the last audit, some controls have been implemented. Bank deposits are periodically made by a person other than the person handling the office operations. Bank statements are opened by a person other than the person who reconciles the account. The reconciled bank accounts are reviewed periodically by the board treasurer and are signed attesting to the review. These steps should be continued in order to provide proper internal control.

There was one bounced check received from a customer in the amount of $87.50. SWCD attempts by written notification twice to collect the monies due. If this process is unsuccessful, SWCD places their name on a list in order not to sell to the customer in the future. The collection process was in good order.

SWCD's consolidated cash on hand as of December 31, 2006 is attached as Exhibit II.

Environmental Management Council

Although Cornell Cooperative Extension assumed the EMC environme ntal programs effective 1/1/06, SWCD continued to receive funds and make final payments into the first quarter of 2006 for EMC.
A recap of EMC's 2006 detail ledger receipts and disbursements follows:

12/31/2005 Detail Ledger Balance		$45,745.12
2006 EMC Receipts		
Grant #C006289	$1,791.64	
Meter Rental Refund	200.00	
Total Receipts		$1,991.64
Total Cash		$47,736.76
2006 EMC Payments		
Payroll/Vacation Paid	$8,168.47	
Medicaid/Social Security	624.91	
Retirement	11,093.00	
Computer expense	427.45	
Equipment rental	476.20	
Due to Dutchess County	16,388.05	
Cornell Cooperative Grant #C006289	1,791.64	
Other	21.35	
Total expenses incurred- 2006		($38,991.07)
Balance of EMC Funds		$8,745.69

Findings:

- *SWCD transferred $10,250.07 to Cornell Cooperative Extension as a final balance of EMC's funds. However, EMC's revenue and expenses were not properly reconciled and finalized. As previously noted, grant accounting is incomplete which includes EMC programs.*

- *Final claims for some grants associated with EMC projects have not been filed with funding sources.*

Recommendations:

- SWCD should reconcile all EMC's revenue and expenses, including grant reconciliations.

- EMC Grant claims should be reviewed and program reports finalized with available funding sources.

Carol Doyle, Auditor

Diane Jablonski, Comptroller

Exhibit I - SWCD Revenue and Expense Statement

Dutchess County Soil & Water Conservation District

Revenue and Expense Statement
For The Year Ending 2006

	Audited 2006
Revenue	
Dutchess County	*$193,685.88
Fees for Services, Other Reimbursement	28,369.34
Private/Fund Raising	69,761.74
Federal/State grants/Other Agreements	203,385.54
Total Revenue	$495,202.50
Expense	
Personnel Services	$333,319.98
Fringe Benefits	87,291.32
Supplies/Utilities/Operations	78,689.39
Travel/Training	13,028.80
Equipment	10,754.53
Grants Special Projects	15,319.66
Total Expenses	$538,403.68
Net Gain/(Loss)	($43,201.18)

* A total of $59,374.67 was received and recorded to date in the 2007 detail ledger.

Source: SWCD Annual State Committee Report and Detail Ledger

Exhibit II – SWCD Consolidated Cash on Hand

DUTCHESS COUNTY SOIL & WATER CONSERVATION DISTRICT
ENVIRONMENTAL MANAGEMENT COUNCIL
CONSOLIDATED CASH ON HAND
JANUARY 1, 2006 – DECEMBER 31, 2006

Cash on Hand 12/31/05

BMP Account	$ 8,852.88	
Escrow Account	660.02	
Memorial Garden	224.61	
Money Market	24,811.73	
NOW Account	115,499.74	
Petty Cash	125.94	
Cash on hand 12/31/05		$150,174.92
Add: Receipts through 12/31/06		497,498.71
Less: Disbursements through 12/31/06		587,910.26
Plus un-remitted Payroll taxes		707.03
Total Cash-on-hand 12/31/06		**$60,470.40**

Cash on Hand 12/31/06

BMP Account	12,588.59	
Escrow Account	664.99	
Memorial Garden	249.98	
Money Market Acct	4,782.35	
NOW Account	42,134.49	
Petty Cash	50.00	
Total Cash 12/31/06		**$60,470.70**

Source: SWCD Annual State Committee Report

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May 16, 2007

Hon. Diane Jablonski, County Comptroller
22 Market Street
Poughkeepsie, New York 12601

Dear Ms. Jablonski:

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, 2006 at our May 16, 2007 District Board Meeting.

We find the report to be fair. We continue to incorporate the procedures recommended to the best of our ability with the limited staff 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. We continue to use the Audit Report as a Risk Management Tool for the District.

Response to Page 5 under Revenues:

Grants: The District has instituted a new process to track grants and contracts through a new computer system that allows the Office Manager and the Contract Administrator to share information on funding request and reimbursements. This process will allow for a seamless process for record keeping and documentation.

Response to Page 9 under EMC

The District transferred funds to CCE based on the 2005 County Audit Report dated May 22, 2006 not knowing that the Report was not the Final Audit of EMC. The District will complete the reconciliation with CCE of any fund balance.

We thank you and your staff for a professional job in auditing our books 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