

AUDIT REPORT

**Dutchess County Soil and Water Conservation District
January 1, 2016 – December 31, 2016**

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Comptroller's Summary

Cash flow issues from the previous year were resolved. Year-end accounting entries continued to be problematic. Staffing changes resulted in the District hiring a contracted bookkeeper.

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, 2016 through December 31, 2016. During the audited period, Dutchess County appropriated and paid \$290,000 for funding of DCSW. This appropriation was under the auspices of the Dutchess County Department of Planning and Community Development.

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 the DCSW records during 2016 resulting in delays in finalizing the 2016 financial statements.
- ❖ Duty segregation was not consistently maintained due to staffing changes during 2016.

Financial Reporting

The 2016 DCSW Annual Report of the Treasurer to New York State is the required document detailing DCSW's consolidated financial information. Revenues reported in 2016 totaled \$581,298.47 and expenses totaled \$505,713.90. 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 12/31/16 is attached as Exhibit II.

Finding:

- Errors were noted in the posting of revenue and expenditures; predominantly at year-end when entries are required to become compliant with the accrual method of accounting. Corrections were made during our review.

Recommendations:

- Oversight and monitoring of the agency's financial records should be increased to ensure monthly financials are based on accurate postings.
- In addition, we recommend Soil and Water utilize the accrual method of accounting throughout the year to be consistent with the year-end required reporting.

Cash Handling and Petty Cash

Prior to the retirement of the District Secretary, the duties of cash handling were shared by two office staff. When the District Typist took over responsibility of the accounting records, there was no separation of duties. The Executive Director indicated the Board Treasurer reviewed bank statements as recommended in our previous audit.

SWCD maintains a petty cash account in the amount of \$100. The petty cash receipts were readily available for audit.

Finding:

- o During 2016, the District Typist received and disbursed funds; posted to the general ledger; safeguarded the funds in the safe; prepared the deposit; took the deposit to the bank and reconciled the bank accounts.

Recommendation:

- While SWCD has a limited number of staff, a separation of duties regarding the depositing and disbursing of funds should be maintained in order to provide proper internal control.

County Appropriation

The Dutchess County Soil and Water Appropriation for 2016 was \$290,000. The full amount of \$290,000 was paid to DCSW. As shown below, costs for the program areas exceeded the annual appropriation. Funding was requested for personal services and fringe benefits for the following programs for the time period January through December 2016:

Personal Services	Jan-March*	April-June	July-Sept	Oct-Dec	Total Claimed
Ag Environmental Management Program	\$18,663	\$14,941	\$11,527	\$16,019	\$61,150
Community Environmental Management Program	\$11,919	\$15,936	\$15,329	\$20,214	\$63,398
Hydrological Habitat Modification Program	\$9,018	\$18,626	\$18,273	\$16,439	\$62,356
Education Program	<u>\$9,211</u>	<u>\$5,895</u>	<u>\$4,543</u>	<u>\$2,459</u>	<u>\$22,108</u>
Total Personnel Services/Programs	\$48,811	\$55,398	\$49,672	\$55,131	\$209,012
Fringe					
Ag Environmental Management Program	\$8,452	\$5,971	\$4,924	\$6,698	\$26,045
Community Environmental Management Program	\$5,249	\$7,076	\$6,746	\$7,511	\$26,582
Hydrological Habitat Modification Program	\$4,142	\$7,273	\$7,599	\$6,046	\$25,060
Education Program	<u>\$4,031</u>	<u>\$2,139</u>	<u>\$1,906</u>	<u>\$907</u>	<u>\$8,983</u>
Total Fringe/Programs	\$21,874	\$22,459	\$21,175	\$21,162	\$86,670
Total Personnel Services & Fringe Claimed Program	<u>\$70,685</u>	<u>\$77,857</u>	<u>\$70,847</u>	<u>\$76,293</u>	<u>\$295,682</u>

Account Review

Personnel and Fringe Expenses

An outside payroll company prepares SWCD's payroll and Federal and State tax remittances. The remittances were reviewed for accuracy and timeliness in submittal with no discrepancies. Employee wages for 2016 amounted to \$224,360.25.

Observation:

- During 2016, the Executive Director received a \$1,000 health insurance buyout paid semi-annually. The claims to the County included the buyout amount in the Fringe expenses; however we recommend the buyout amount should be claimed as a Personnel expense since it was reported on the W-2 as income.

Credit Card Purchases

The agency maintains one credit card account. Four employees are authorized cardholders and have a card issued in their individual names. The 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.

Observation

- Actual credit card receipts were consistently filed with the statements 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. Soil and Water paid a total of \$4,120.20 to Cornell for the time period January – August 2016. Beginning in September 2016, Dutchess County took over the maintenance of the Farm and Home Center Building from Cornell. A lease agreement between Soil and Water and Dutchess County for the time period September 2016 - December 2017 is in process of being executed.

Observation

- Soil and Water accrued \$1,660 in rent owed to Dutchess County for the time period September 2016-December 2016 pending the execution of the new lease.

Fixed Asset Inventory/Equipment

In 2016, the inventory worksheet attached to the NYS Annual Report of the Treasurer contained fifteen (15) items for a total value of \$99,388.67; which included vehicles, a copier, a projector, computer equipment, a GPS data logger and a Hydro seeder.

Observation

- 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.

Inventory for Resale

According to agency records, expenditures for resale totaled \$17,666.24 in 2016. Sales recorded for 2016 were \$24,701.33.

Exhibit I STATEMENT OF INCOME AND EXPENSES

DCSW – 2016 STATEMENT OF INCOME AND EXPENSES	
INCOME	
District Tree & Shrub Program	\$24,701.33
Hydro seeding	2,131.08
Interest & Earnings	91.86
Sale of Supplies (Books & Maps)	5.55
Insurance Recovery	1,115.33
Gifts & Donations	656.06
Workshop Registration	22,369.12
Misc. Reimbursements	800.00
Ag Value-Soil Group Worksheet	8,360.00
Misc., Copies GIS	420.00
County Appropriation	290,000.00
State Aid Grants/Reimbursements	221,898.14
Federal Aid Grants/Reimbursements	8,750.00
Total Income	<u>\$581,298.47</u>
EXPENSES	
Personnel Services	\$242,998.31
Fringe	98,376.33
Equipment	3,134.48
District Tree & Shrub Program	17,666.23
Conservation Practice Supplies	7,217.52
Payments to Others	99,429.38
Travel/Training Directors	883.27
Travel/Training Employees	5,282.38
Rent (Maintenance Fee)	5,780.20
Telephone/Internet	689.21
Office Supplies	2,516.32
Information & Education (Newsletters, Field days, Envirothon)	1,323.14
Insurance	10,028.01
Miscellaneous	5,963.18
Repairs to Equipment (Field)	2,583.94
Vehicle Fuel	1,842.00
Total Expenses	<u>\$505,713.90</u>

Exhibit II SUMMARY OF CHANGES IN FUND BALANCE & OPERATING FUND BALANCE SHEET

DCSW – 2016 SUMMARY OF CHANGES IN FUND BALANCE	
Beginning Fund Balance	\$169,947.71
Plus: Total Revenues	\$581,298.47
Sub Total	\$751,246.18
Less: Total Expenditures	\$505,713.90
Ending Fund Balance	<u>\$245,532.28</u>

OPERATING FUND BALANCE SHEET			
ASSETS		LIABILITIES	
Cash	\$119,354.00	Accounts Payable	\$2,523.00
Petty Cash	<u>\$100.00</u>	Compensated Absences	\$8,795.00
Total Cash & Investments	<u>\$119,454.00</u>	Other Liabilities	\$4,293.00
		Due to Other Governments	<u>\$334.00</u>
		Total Liabilities	\$15,945.00
State & Federal Aid Receivables	\$73,740.00	Deferred Inflow of Resources	<u>\$84.00</u>
Due from Other Funds		Total Deferred Inflow of Resources	\$84.00
Due from Other Governments	\$23,737.00		
Prepaid Expenses	<u>\$15,741.00</u>	FUND BALANCE RESTRICTED	
Total Receivables	<u>\$113,218.00</u>	Cash Dedicated Funds	<u>\$28,889.00</u>
		Total Restricted fund	\$28,889.00
Cash Special Reserves	<u>\$28,889.00</u>		
		Fund Balance Unassigned	<u>\$216,643.00</u>
		Total Fund Balance	<u>\$245,532.00</u>
Total Assets	<u>\$261,561.00</u>	Total Liabilities & Fund Balances	<u>\$261,561.00</u>