



Erie County Soil and Water Conservation District Cash Receipts and Disbursements

Report of Examination

Period Covered:

January 1, 2015 – June 8, 2016

2016M-232



Thomas P. DiNapoli

Table of Contents

	Page
AUTHORITY LETTER	1
INTRODUCTION	2
Background	2
Objective	2
Scope and Methodology	2
Comments of District Officials and Corrective Action	2
CASH RECEIPTS AND DISBURSEMENTS	4
Recommendation	4
APPENDIX A Response From District Officials	5
APPENDIX B Audit Methodology and Standards	7
APPENDIX C How to Obtain Additional Copies of the Report	8
APPENDIX D Local Regional Office Listing	9

State of New York Office of the State Comptroller

Division of Local Government and School Accountability

September 2016

Dear District Officials:

A top priority of the Office of the State Comptroller is to help local government officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and Board governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard local government assets.

Following is a report of our audit of the Erie County Soil and Water Conservation District, entitled Cash Receipts and Disbursements. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law.

This audit's results and recommendation are resources for District officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

The Erie County Soil and Water Conservation District (District) is one of 58 such districts in New York State. These districts provide services and fund projects related to the conservation of soil and water resources, improvement of water quality, preservation of wildlife habitat and management of soil erosion. The District is governed by a seven-member Board of Directors (Board) appointed by the Erie County (County) Legislature. The Board is responsible for the general management and oversight of the District's financial and operational affairs.

The District Field Manager is responsible for managing the District's day-to-day operations under the Board's direction. The District employs a Treasurer who is responsible for maintaining the District's financial records and also serves as the District's secretary.

The District's main sources of revenues are State and federal grants, County contributions and proceeds from sales and services to customers. During 2015, revenues totaled approximately \$1 million and expenditures totaled approximately \$1.3 million.

Objective

The objective of our audit was to review the District's cash receipts and disbursements. Our audit addressed the following related question:

- Did the Board ensure that the Treasurer properly accounted for cash receipts and disbursements?

Scope and Methodology

We examined the District's financial records for the period January 1, 2015 through June 8, 2016.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix B of this report.

Comments of District Officials and Corrective Action

The results of our audit and recommendation have been discussed with District officials, and their comments, which appear in Appendix A, have been considered in preparing this report. District officials generally agreed with our recommendation and indicated that they planned to initiate corrective action.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendation in this report should be prepared and forwarded to

our office within 90 days, pursuant to Section 35 of General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the District to make this plan available for public review in the Secretary's office.

Cash Receipts and Disbursements

The Treasurer is responsible for ensuring that all money due to the District is collected, recorded and deposited and that all money disbursed is for proper District purposes. Written policies and procedures should be adopted by the Board to govern how cash receipts and disbursements are to be handled. The Board should regularly review financial records and reports to ensure that receipts and disbursements are properly reported in the accounting records. The Board should also ensure that cash disbursements are for valid District purposes and checks are signed by authorized individuals.

The Board did not adopt written policies and procedures for the District's cash receipts and disbursement processes. However, the Treasurer generally accounted for cash receipts and disbursements properly and the Board provided adequate oversight. Press-numbered duplicate receipts were issued for all money received by the District and deposits were typically made each week.

The Treasurer prepared a monthly deposit report for the Board's review. Cash disbursements were audited by the Board each month. All checks required two signatures before being paid – one from a Board member and one from the District field manager – and were signed immediately following the Board meetings. In addition, cash receipts were issued for all money received from the District's annual tree and shrub sale, and a reconciliation was performed at the end of the sale to account for all inventory ordered and sold.

We reviewed all cash receipts totaling \$1.9 million and all nonpayroll cash disbursements totaling \$1.26 million for our audit period. Other than some minor exceptions which we discussed with District officials, the Treasurer properly receipted, deposited and recorded cash receipts. Additionally, disbursements were for proper District purposes and properly audited by the Board before payment. The District experienced a net profit for both annual tree and shrub sales held during our audit period and officials adequately accounted for all such inventory ordered and sold.

We commend the Treasurer for maintaining accurate, well-organized and detailed accounting records and the Board for establishing an appropriate system of controls, although that system was not documented in a written policy adopted by the Board.

Recommendation

The Board should:

1. Adopt written policies and procedures related to cash receipts and disbursements.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

The District officials' response to this audit can be found on the following page.



Erie County Soil & Water Conservation District

50 Commerce Way, East Aurora, New York 14052-2185
Phone: (716) 652-8480 Fax: (716) 652-8506

9/1/2016

Mr. Jeffery Mazula, Chief Examiner
Office of the State Comptroller
Division of Local Government and School Accountability
Buffalo Regional Office
295 Main Street, Suite 1032
Buffalo New York, 14203-2510

Re: Erie County Soil and Water Conservation District
Cash Receipts and Disbursements #2016M-232

Dear Mr. Mazula:

Thank you for the opportunity to respond to the draft report of examination for the Erie County Soil and Water Conservation District (District) audit of cash receipts and disbursements from January 1, 2015 through June 8, 2016. The District was pleased with the professional manner of your staff, allowing the examination process to be completed easily and efficiently. We respect the thoroughness of their findings and appreciate the considerations given to our opinions throughout the process. The District generally agrees with the findings of the examination and will utilize the recommendations provided to improve the management of our operations.

Please consider the following to serve as the District's Corrective Action Plan:

The audit recommended the District Board "*adopt written policies and procedures related to cash receipts and disbursements*". Please know the District Field Manager and Secretary/Treasurer are currently drafting a written policy for the Board of Directors to review and approve. It is anticipated to be completed by the end of the year and will be included with an update to the Districts current Office Manual.

The District hopes this response and corrective action plan are satisfactory to the Office of the State Comptroller. Should you require any further information from the District please do not hesitate to contact me at the address listed above.

Sincerely,

Mark C. Gaston
District Field Manager

Cc: District Board of Directors

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APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We interviewed District officials to gain an understanding of the District's cash receipts and disbursements processes.
- We compared cash receipts to the deposit reports provided to the Board, bank statements and accounting records to determine if all receipts were properly receipted, deposited and recorded.
- We compared cash receipts from the annual tree and shrub sale to the cost of goods sold to determine if proceeds were properly accounted for and properly recorded.
- We reviewed all nonpayroll-related disbursements to determine if claims were supported by sufficient documentation and for valid District purposes.
- We traced all nonpayroll-related disbursements from accounting records to canceled check images and bank statements and from canceled check images and bank statements to accounting records to determine if the disbursement records were complete and accurate.
- We reviewed Board minutes to determine if the Board performed and documented an audit of claims.

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

APPENDIX C

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