



Genesee County Soil and Water Conservation District

Cash Receipts and Disbursements

Report of Examination

Period Covered:

January 1, 2016 — January 19, 2017

2017M-34



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

April 2017

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 Genesee 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 recommendations 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 Genesee 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 five-member Board of Directors (Board) appointed by the Genesee County (County) Legislature. The Board is responsible for the general management and oversight of the District's financial and operational affairs.

The District 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 serving 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 2016, District revenues totaled \$947,000 and expenditures totaled nearly \$403,000.¹

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 receipts were properly accounted for and reported and disbursements were approved and for proper District purposes?

Scope and Methodology

We examined the District's financial records for the period January 1, 2016 through January 19, 2017.

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 recommendations have been discussed with District officials, and their comments, which appear in Appendix A, have been considered in preparing this report. District officials

¹ Revenues exceed expenditures because the District receives and retains grant funds until grant recipients have completed approved projects. The District receives up to 90 percent of a grant award, which is maintained in an interest bearing account until the completion of the project. After inspection, the landowner or farmer is reimbursed for supported expenditures.

generally agreed with our recommendations 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 recommendations 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 Board 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. The Board should adopt written policies and procedures to govern how cash receipts and disbursements are to be handled. The Board should ensure that receipts are issued for all money received. The Board also should regularly review financial records and reports to ensure that receipts and disbursements are properly reported in the accounting records. The Board should audit claims to ensure that cash disbursements are properly supported and for valid District purposes and checks are signed by authorized individuals.

The Board adopted written cash receipts and disbursements policies in January 2017, but no written policies or procedures were in place during our audit period. The Board adopted an annual resolution granting the Treasurer the authority to pay specific recurring claims. However, the Board did not perform an audit or review District claims. The Board's insufficient oversight of the disbursements process creates a risk that payments may not be for appropriate purposes.

We reviewed all cash receipts totaling \$947,000 and all 170 nonpayroll cash disbursements totaling \$227,000 for our audit period. Other than some minor exceptions which we discussed with District officials, the Treasurer properly receipted, deposited and recorded cash receipts. Computer-generated receipts were issued for all money received, and deposits were typically made within one week during busy months.²

Cash disbursements appeared to be for proper District purposes. However, the Board did not audit or review individual claims prior to payment. The Board reviewed a listing of claims prepared by the Treasurer at each monthly meeting, but it did not review the actual bills or supporting documentation.

Without an adequate claims audit process, the Board cannot ensure claims are for valid District purposes and the District has an increased risk of paying for goods and services that are not proper District expenditures.

² The newly adopted cash receipts policy requires that deposits be made twice per week and on the last business day of the month.

Recommendations

The Board should:

1. Review and update its cash disbursements policy to include a comprehensive claims audit process.
2. Conduct a deliberate and thorough audit of all claims.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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



Genesee County Soil & Water Conservation District

USDA Center, 29 Liberty St., Suite 3, Batavia, NY 14020

Phone (585) 343-2362x5

March 24, 2017

Office of the State Comptroller
Buffalo Regional office
Attn: Chief Examiner Jeffrey D. Mazula
295 Main Street, Suite 1032
Buffalo, NY 14203-2510

Dear Mr. Mazula,

This letter serves as both our audit response and our Corrective Action Plan.

I am writing in response to our recent audit by a Senior Examiner from the Buffalo Regional Office. We appreciate the comments and time dedicated to our agency with awareness that the OSC was assessing risk.

We will offer tighter controls with respect to our claims auditing process. Our Corrective Action Plan is as follows:

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Audit Recommendation (1):

The Board should review and update its cash disbursements policy to include a comprehensive claims audit process.

Implementation Plan of Action:

The Genesee Co. Soil & Water Conservation District Board agreed to review and update the cash disbursements policy (entitled Financial Policies and Procedures) to include a comprehensive claims audit process. The following is an excerpt from the policy which was adopted at our February 8, 2017 Board of Directors Meeting:

Claims Auditing:

Directors will examine each claim (bill or invoice) and match to the abstract provided. Directors will verify the legitimacy and correctness, attached

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documentation, and whether funds are available for payment. Once verified, each director will sign or initial each claim.

The monthly Abstract of Vouchers will indicate the total approved dollar amount for claims to be paid as well as the check numbered sequence that those claims are paid with.

The District Board should review all preauthorized paid claims for approval as soon as possible. The District Manager already performs this function in the office when claims arrive.

Implementation Date:

The "Claims Auditing" component of our Financial Policies and Procedures document was approved by the District Board of Directors on February 8, 2017.

Person(s) Responsible for Implementation:

Our District Manager and District Clerk drafted this policy; after review it was approved and adopted unanimously by the Genesee Co. Soil & Water Conservation District Board of Directors on February 8, 2017. The Board has implemented this policy since, and including, that date.

Audit Recommendation (2):

The Board should conduct a deliberate and thorough audit of all claims.

Implementation Plan of Action:

Directors will review each claim that is currently due and match to the monthly abstract then initial and date the original claim. The same will be done for all preauthorized paid claims.

Implementation Date:

The Board began this new process on February 8, 2017.

Person(s) Responsible for Implementation:

The District Clerk will be responsible for ensuring that all claims are available for audit (both preauthorized paid claims as well as unpaid bills due), including supporting documentation, at our monthly board meetings; all directors present will be responsible for thoroughly auditing each claim. The Chairman of the Board is responsible for allowing time on the agenda for careful audit of all claims each month.



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We believe our newly adopted Financial Policies and Procedures in its entirety will allow for successful implementation of the risk recommendations set forth by the examiner. We are pleased that the process has already been implemented, and we feel we have therefore reduced financial risk to the organization.

Sincerely,

Rochelle M. Stein
Chairman of the Board
Genesee Co. Soil & Water Conservation District

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

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

- We reviewed District policies, procedures and Board minutes and interviewed District officials to gain an understanding of the cash receipts and disbursements processes.
- We reviewed accounting records, bank statements and deposit records to determine whether cash receipts were properly receipted, deposited and recorded.
- We reviewed all nonpayroll disbursements to determine whether claims were supported by sufficient documentation and were for valid District purposes.

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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