



Otsego County Soil and Water Conservation District

Board Oversight

2023M-117 | March 2024

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Report Highlights

Otsego County Soil and Water Conservation District

Audit Objective

Determine whether Otsego County Soil and Water Conservation District (District) officials properly managed grants and authorized disbursements that were appropriate and supported.

Key Findings

The Board of Directors (Board) did not effectively manage grants or ensure that authorized disbursements were supported and for appropriate District purposes. As a result, District officials made overpayments, unsupported payments and unnecessary payments at taxpayers' expense. Specifically, District officials:

- Overpaid landowners totaling \$174,950 for six grants resulting in an inappropriate use of local taxpayer money.
- Made 49 disbursements totaling \$145,876 without adequate support (out of 63 disbursements reviewed totaling \$154,080).
- Paid \$11,630 in unnecessary payments, including excess tree purchases, late fees, interest, unused cell phone accounts, sales tax and lease payments for a copier that had been replaced.
- Paid employees for unsupported leave payments totaling \$8,860 and an unallowed payment totaling \$1,192.

Key Recommendations

- Ensure grant disbursements are approved before payment to avoid overpayments to landowners.
- Perform a thorough claims audit to ensure disbursements are supported and for appropriate and necessary District purposes.
- Maintain accurate leave records and periodically review leave accrual balances.

District officials agreed with our recommendations and indicated they have initiated or plan to initiate corrective action.

Audit Period

January 1, 2017 – July 31, 2022.

We extended our audit period through December 31, 2022 to calculate unnecessary expenditures and through May 23, 2023 to review grant disbursements and closeouts.

Background

The District is located in Otsego County (County) and is a component unit of the County. The District provides services to improve and maintain wildlife habitat, help control and prevent water pollution and manage erosion control and other related land-use issues.

The District is governed by the seven-member appointed Board. The District Manager is responsible for managing the District's day-to-day operations under the Board's direction. Each year, the Board appoints a Board member to serve as Treasurer, who is responsible for receiving, maintaining custody of and disbursing funds and ensuring the maintenance of appropriate accounting records. The District's secretary serves as the Assistant Treasurer and is responsible for processing, recording and reporting the District's financial transactions to the Board.

Quick Facts

State Grant Funds Received During Audit Period	\$2.9 million
2022 District Disbursements	\$591,090

Board Oversight

The District's main revenues are State aid, grants, funding from the County and proceeds from sales and services provided to customers. The New York State Department of Agriculture and Markets (Ag and Markets) primarily funded the State grants. The District administers grants through its Agricultural Environmental Management program¹ and Agricultural Non-Point Source Abatement and Control program,² which focus on water quality issues and farming activities.

From 2018 through 2022, the District contracted with an independent bookkeeper (former bookkeeper) to assist with maintaining the District's general ledger and to record and process payroll.

How Should a Board and District Officials Properly Manage Grants?

A board of directors (board) for a soil and water conservation district (district) is responsible for making sound, transparent financial decisions that are in the best interests of the district and taxpayers who fund the district's operations.

District officials should not commingle grant funds with the district's operational funds. Not only is this required by most grant fund agreements, but also it helps employees to track and report on grant activity. Officials also should transfer grant funds into a separate bank account in a timely manner (e.g., within five days), so that projects are funded from the appropriate source and at approved amounts.

A board should review and approve grant project disbursements before payment to confirm that the disbursements are supported and appropriate reimbursable grant expenditures and that funds are still available. A board also should ensure that grants are closed out in a timely manner to avoid unnecessary expenditures and to ensure that future funding options remain available.

The Board and District Officials Did Not Properly Manage Grants

District officials did not transfer grant funds into separate interest-bearing accounts and overpaid landowners for project expenditures. In addition, the Board did not ensure that final reports submitted to Ag and Markets were complete and filed in a timely manner.

Commingling of Grant Funds – The former District Manager and employees typically developed a budget for each project that Ag and Markets approved.³ After the budgets were approved, the former District Manager applied for and

District officials did not transfer grant funds into separate interest-bearing accounts and overpaid landowners. ...

1 <https://www.otsegoilandwater.com/agricultural-environmental-management>

2 <https://agriculture.ny.gov/soil-and-water/agricultural-nonpoint-source-abatement-and-control>

3 In June 2022, the former District Manager resigned, and the position remained vacant until the current District Manager was hired in November 2022. The District had three different people in the secretary position during our audit period and did not have a secretary from December 2021 to April 2023.

received grant funds from Ag and Markets, by electronic deposit, into the District's savings account. The District also received annual, nongrant-related program funds that were deposited into the same savings account.

However, officials inappropriately commingled grant funds with the District's operating funds and with other grant funds. In addition, two grants with funding totaling \$435,964⁴ did not have separate bank accounts, as was required by the grant agreements, and the grants' funds were commingled with the District's nongrant-related funds.

Furthermore, officials inappropriately made grant payments from the District's nongrant-related bank account and from incorrect separate grant bank accounts. We reviewed 13 grant contracts (Figure 1) and all 46 deposits totaling \$2.9 million for District program and grant funds made by Ag and Markets from January 1, 2017 through July 5, 2022. From this amount, District officials made 92 transfers totaling \$2.8 million to other District bank accounts that had multiple issues, as follows:

- 51 transfers totaling \$1.6 million were not completed in a timely manner, such as within five days of receipt.
- For six deposits for grant funds totaling \$766,807, the total amount of each deposit was not transferred to the grant's bank account in its entirety.
- 39 transfers totaling \$909,494 were not made to the correct District bank account.
- 37 transfers totaling \$645,530 between District accounts could not be identified. The transferred amounts either were not for the full amount of a particular grant or the purpose for the transfers was not identified.

We also reviewed all 49 grant disbursements totaling \$1.8 million made from January 1, 2017 through May 23, 2023 for the 13 grants that we reviewed. We determined that 33 disbursements totaling \$968,094 were from the District's

Figure 1: Grant Contracts Examined

Grant Contract Number	Start Date	Grant Funding Received
C701111	June 1, 2013	\$97,622
C701182	June 25, 2014	95,696
C701223	September 28, 2015	260,661
C701274	July 12, 2016	214,399
C701277	July 12, 2016	207,087
C701275	July 12, 2016	108,505
C701276	July 12, 2016	165,185
C701323	July 25, 2017	345,195
C701339	July 25, 2017	35,560
C701324	July 25, 2017	90,769
C011972	August 29, 2018	96,250
C701382	November 27, 2018	18,819
C012236	January 1, 2020	105,318
Total		\$1,841,066

⁴ Grant contract numbers C701323 and C701324 (Figure 1). Refer to Appendix B for further information on our sample selection.

account even though 11 grants had their own separate accounts. As a result, grant funds and disbursements were commingled among District (nongrant) funds and other grant funds, which weakened the District’s financial transparency and diminished grant accountability.

Overpayments – Grant agreements are between the District and Ag and Markets and typically address how grant funds will be used. The agreements also require recipients (i.e., landowners) to submit adequate supporting documentation to the District detailing their project-related expenses to show that the expenses will be eligible for reimbursement. However, the District is responsible for ensuring that grant recipients submit all documentation in a timely manner.⁵ Generally, the grants require landowners to personally fund a portion, or the entire amount, of the grant activities and then receive reimbursement from the District for their expenses.

The former District Manager and secretaries paid landowners throughout the grant projects without proper Board approval before payment. Of the 49 grant disbursements that we reviewed, 32 totaling \$1.2 million were not approved by the Board, and 10 totaling \$325,160 were approved after the District paid the funds to recipients. The remaining seven disbursements totaling \$306,465 were approved by the Board before payment.

Because the Board did not approve all payments before payment, the District overpaid six grants by \$174,950 (Figure 2). One overpayment totaling \$7,805 – an unapproved reimbursement payment to a landowner for engineering services – did not have any documentation to support that the landowner incurred the initial cost. Although we subsequently obtained evidence from the landowner showing that he did incur the initial cost, the former District Manager and secretaries should not have disbursed any unapproved money without Board approval or the proper support. This grant also was canceled, which required the District to return all grant funds received for this grant to Ag and Markets.

Figure 2: Overpayments

Grant Contract Number	Overpayments to Landowners
C701276	\$86,756
C701223	39,126
C701275	29,339
C701274	10,951
C701382	7,805
C701277	973
Total	\$174,950

The overpayments occurred because the Board and officials did not follow the District’s disbursements policy, which required the Board to review supporting documentation before approving grant funds for disbursement. The overpayments

⁵ In addition to the grant agreements that the District has with Ag and Markets, the District also has separate contracts with landowners that indicate the responsibilities of both parties.

resulted in an inappropriate use of District taxpayer money because the District's overpayments were funded from local and State taxpayer funds.

Late Final Reports – Grant agreements also required the District to submit a final report to Ag and Markets within 60 days of the end of each agreement. The former District Manager generally prepared and submitted final reports to Ag and Markets. However, the final reports did not always include complete and proper documentation as required by the agreements and as noted in a November 2021 letter the District received from Ag and Markets.⁶ For example, due to delays caused by locating accurate supporting documentation and correcting previous inaccurate reports, District officials filed final reports after the due date for 11 of 13 grants that we reviewed. The reports were submitted between 139 days to 662 days late, or an average of 386 days late.

The final reports were not filed in a timely manner because officials did not have all the records that were needed to complete the reports, many of the necessary records were misplaced and some of the records were incomplete. Although employee turnover⁷ may have contributed to this problem, the District did not have record retention, filing and documentation policies, which would have helped ensure consistency in recordkeeping for grants and ease of access to District documents.

The inappropriate commingling of funds, overpayments to landowners and inadequate and missing documentation all occurred because the Board did not provide adequate oversight of the grant process.

As of November 2021, Ag and Markets suspended funding any new District grant contracts, claims and annual operational payments until officials provided sufficient evidence that the Board was addressing certain concerns.⁸ In response, the Board developed a corrective action plan (District's CAP) for grant management, which required:

- The Board to take an active role in managing the grants.
- The Board to establish and implement a financial management grant-funded projects policy (financial management policy) where the District Manager would regularly update the Board with the status of each grant. The Board developed a grant status table with the status of grant work in progress (updated each month) and completed, costs anticipated and incurred, and project budgets, according to the policy's requirements.

...[T]he Board did not provide adequate oversight of the grant process.

6 Refer to Appendix B for further information on the content of this letter.

7 See supra, note 3.

8 See supra, note 6.

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- The District to establish separate, interest-bearing bank accounts for each grant before receiving grant funds.
 - The Board to use a checklist to approve payments for grant projects. The approval must occur generally after the projects have been completed; landowners have submitted adequate support, such as invoices and canceled check images; and after the District Manager or employees have inspected the completed projects and their documentation.
 - District officials to submit complete grant closeout packages⁹ for remaining open grants as soon as possible.
 - The Board and District employees to receive grant management training.

We examined the Board's implementation of the District's CAP where possible and determined that the financial management policy was comprehensive and addressed Ag and Market's concerns. We also determined that if the Board complied with the policy, then the Board would be actively engaged in managing all future grant-funded projects.

Because many of the policy's procedures addressed new grants, District officials have not yet implemented certain procedures. However, officials implemented several procedures to address shortcomings that Ag and Markets identified, as follows:

- District officials developed and periodically updated a grant status table to monitor grant projects' progress and submitted the table to the Board at monthly Board meetings.
- The District issued seven grant checks for five projects that had adequate support and were approved by the Board before they were disbursed.
- The Board chairperson and other employees submitted final reports to Ag and Markets for the eight remaining open grant projects¹⁰ mentioned in the Ag and Markets letter.
- All acting Board members and the current District Manager received grant management training.

After reviewing the District's CAP, Ag and Markets restored funding to the District, and the District received its regular allocation of annual program funding in July 2022.

However, officials implemented several procedures to address shortcomings that Ag and Markets identified. ...

9 A grant closeout package includes a final report, budget, documentation about the bidding process for contracts and other necessary information specific to each project.

10 We also reviewed these projects. Refer to Appendix B for further information.

Also, the District paid \$13,000 to a certified public accounting firm to examine three grants that the District did not close out in a timely manner. Had the Board provided proper oversight of grant closeouts, this cost would have been avoided. Furthermore, had the Board provided more effective oversight, it could have prevented the compliance issues that we identified and more landowners would have been able to take advantage of the grant funding during the period that the District's funding was suspended.

What Is a Properly Supported and Approved Claim?

Each claim must contain enough supporting documentation to determine whether it complies with statutory requirements and district policies (e.g., procurement policy) and whether the amounts claimed represent actual and appropriate district expenditures. Also, each claim should be approved by a district board, which board members can indicate by signing or initialing each individual voucher packet or an abstract of audited claims.

A claim generally must be in writing and can be in any reasonable form prescribed by a district, as long as it is properly itemized and provides all the information, including supporting documentation, required for audit. Using a standard claim form as a cover sheet is desirable because required information is presented in a uniform and organized manner. The combination of original invoices, receiving slips, other relevant documentation and the standard claim form (as a cover sheet) is commonly referred to as a voucher or claim package.

According to the New York State Soil and Water Conservation Committee's *District Operations Manual*,¹¹ district officials may find that using an abstract of audited claims¹² saves time and presents the claims in a more uniform manner. For increased transparency and accountability, district board meeting minutes could state the abstract number, voucher numbers and total amount of the audited and approved claims to be paid.

A board, by resolution, may authorize payment of claims before they are audited for public utility services, postage, freight and express charges. However, these claims should be presented to the board for audit at the board's next regular meeting. In addition, payments that do not need to be audited before payment, and retirement contributions to the New York State and Local Retirement System, should be audited after payment to ensure that the amounts paid correspond to actual district obligations.

¹¹ This manual is available to State soil and water conservation districts.

¹² This is a list of audited claims that includes voucher numbers, names of claimants, claim amounts, funds or accounts chargeable and any other information that might be deemed essential.

A district board also must perform, or contract for, an annual audit of their district's records to help ensure public funds have been handled properly. The board also should document the audit results in a written report and include the results in its meeting minutes.

Disbursements Were Not Adequately Supported and Approved Before Payment or Audited

We examined 63 claims¹³ totaling \$154,080 and determined that all had one or more discrepancy, as follows:

- The former District Manager and Treasurer could not provide adequate support for 49 claims totaling \$145,876. These claims included grant project, health insurance, liability insurance, utilities and office expenditures. Officials told us that claims were not supported properly because they did not have adequate procedures to ensure that documents were properly organized.
- The Board did not approve 31 claims totaling \$136,845 before payment. These claims included grant project, health insurance, liability insurance, credit card purchases and office supplies expenditures.
- The Board could not provide us with any evidence that it audited 17 claims totaling \$14,510 because the claims were not included on the list of claims paid in the previous month, or the Treasurer could not locate the lists of claims for previous months. The 17 claims included health insurance, bookkeeping, utilities, equipment and other miscellaneous expenditures.

In addition, we analyzed the general ledger and other supporting documentation and determined that District officials made unnecessary payments totaling \$11,630, as follows:

- For the District's annual tree sales in 2021 and 2022, District employees told us that the former District Manager intentionally ordered excess trees anticipating greater sales during a half-price sale on the tree pickup day. This resulted in approximately \$4,550 paid to nurseries for trees the District was unable to sell. We estimated that \$4,000 of excess trees were left over from the 2021 sale. However, employees improved their ordering procedures in 2022, which resulted in excess trees totaling about \$550.
- The District had to pay late fees and interest for its 2022 annual State retirement contribution, which resulted in an additional unnecessary cost of \$2,007. The District also did not gain early-payment cost savings for its

¹³ Refer to Appendix B for further information on our sample selection.

2020, 2021 and 2022 contributions. As a result, it missed a cost savings opportunity totaling \$913 (\$2,920 total unnecessary payments).

- Officials did not cancel the cell phone accounts of two former employees in a timely manner, although the phones were returned to the District. As a result, the District paid 41 payments totaling \$2,860 for accounts that were no longer used.
- Officials improperly paid 22 payments totaling \$750 for sales tax, interest and/or late fees for payments related to copier leases and credit card payments.
- Officials improperly paid three monthly payments totaling \$550 for a copier that had been replaced and removed from the District.

These unnecessary payments occurred because the Board and employees did not comply with the disbursements policy, which required employees to maintain adequate support for payments and the Board to approve claims before payment. The Treasurer and former District Manager told us that the Board did not require vouchers or examine supporting invoices. The Board also approved the list of bills and noted its approval in its meeting minutes without indicating the number of bills or the total dollar amount being disbursed,¹⁴ which decreases transparency and accountability.

In addition, before April 2022, the disbursements policy allowed District employees to prepay unallowable expenses, such as payments for pest control, cleaning services, bottled water, a printer lease and insurance payments. The previous policy also inappropriately allowed prepayment of bills that would come due before the next Board meeting and that would incur a late fee or interest payment. However, only claims for certain purposes (i.e., public utility services, postage, freight and express charges) may be authorized, upon Board resolution, to be paid before they are audited.

Furthermore, the Board did not audit, or contract for an audit of, the District's records. Had the Board and officials complied with the current disbursements policy and performed, or contracted for, a proper annual audit of the District's records, many if not all of these control weaknesses likely would have been addressed.

Furthermore, the Board did not audit, or contract for an audit of, the District's records.

What Are Properly Authorized Payroll and Leave Accrual Disbursements?

Payroll and leave accrual benefits should be authorized before payment by an official or the district manager and be accurate and properly documented. All

¹⁴ This procedure is strongly recommended by the *District Operations Manual*.

employees should prepare, review and sign detailed time and attendance records, which should be approved by an official. Individual payroll amounts should be traceable to authorization documents, supported by time and attendance records, periodically reconciled and approved by the board.

Any changes in salary and wage rates should be properly authorized, approved and documented to support the changes. Before checks are distributed, officials should review and certify payroll registers or similar records to provide oversight of the payroll process.

The District’s personnel policy required employees to keep track of their time worked and leave taken on a timesheet. This policy also required employees to give their timesheets to the secretary, who should use them to compile a report for the Board on a biweekly basis.

District Officials Made Inappropriate Unused Leave, Separation and Payroll Payments

We reviewed all seven leave and separation payments totaling \$9,156 made during our audit period and all 78 payroll payments totaling \$158,241 paid to three employees in 2022 and determined the following:

Unused Leave and Separation Payments – Between 2017 and 2022, District officials paid the former District Manager for unused leave and separation payments totaling \$8,860 that were not properly supported. The former District Manager stopped using timesheets in 2016. Therefore, officials could not provide us with adequate support to indicate that the former District Manager had sufficient leave balances available to support these payments.

One of the leave payments totaling \$1,192, paid to the former District Manager for a second week of unused leave, did not comply with the District’s personnel policy because the policy allowed payment of up to one week of unused leave.

Figure 3: Payroll Overpayments for September 15, 2022 – December 30, 2022

	Approved Biweekly Rate	Semimonthly Rate	Amount Paid	Board-Approved Rate	Amount Overpaid
Employee 1	\$2,154	\$2,333	\$19,383	\$17,229	\$2,154
Employee 2	1,672	1,811	15,048	13,376	1,672
Employee 3	\$1,924	\$2,084	\$17,316	\$15,392	1,924
Total Overpayments					\$5,750

Payroll Payments – On September 15, 2022, the former bookkeeper changed the District’s pay period from biweekly to semimonthly without authorization or explanation and without notifying the Board or District employees. Because this change was made in the middle of the month and a week after the last biweekly check was paid, payroll payments were made for unapproved amounts and three employees were overpaid by \$5,749 (Figure 3).

These overpayments were discovered after one of the three employees alerted the Treasurer regarding an unexpected payroll check that was received one week earlier than usual. To resolve the situation, the Board decided to convert the overpayments into previously approved stipends¹⁵ for these employees, instead of requiring the employees to return the overpayments. If the overpayments had not been brought to the Board’s attention, the three employees would have been paid the full, unadjusted stipend amounts along with the improper payroll amounts. The Board was unaware of the inappropriate payments because it did not segregate or monitor payroll duties or review the payrolls before payroll checks (including unused leave and separation payments) were disbursed.

The individuals who were responsible for processing payroll – either the former secretaries and/or the former bookkeeper – performed all aspects of payroll processing without adequate supervision. This included adding new employees; inputting pay rates; entering time worked from manual timecards; processing payrolls, including unused leave and separation payments; printing and signing checks; and/or initiating the direct deposit process. Although the Board received monthly payroll summaries, it did not receive biweekly reports to reconcile the payments to other payroll records.

Without adequate leave records, officials cannot accurately determine amounts for leave or separation payments that are due to employees. Additionally, because officials did not segregate payroll duties or provide additional oversight measures, the District experienced payroll errors and irregularities that resulted in overpayments.

What Do We Recommend?

The Board and District officials should:

1. Establish a separate bank account for each grant and transfer only grant-related funds into these accounts in the full amount.
2. Make grant payments from the specific bank account associated with each grant.

¹⁵ The stipends were for performing the duties of the former District Manager while the Board searched for a replacement for this position.

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3. Comply with the financial management policy by ensuring that grant disbursements are properly supported and approved before payment.
 4. Review grant overpayments identified in this audit report and seek reimbursement, as appropriate.
 5. Comply with the newly developed financial management policy by ensuring that grants conform to contracts and funding requirements and are closed out in a timely manner.
 6. Use resources from Ag and Markets, such as the *District Operations Manual*.
 7. Continue using the grant status table to track grant activity.
 8. Continue providing grant management training to all employees.
 9. Comply with the disbursements policy by thoroughly auditing all claims before payment.
 10. Pay District bills in a timely manner to avoid late fees and interest charges.
 11. Annually audit, or contract for an audit of, the District's records, prepare a written report of the audit results and document them in the Board meeting minutes.
 12. Ensure employees maintain and sign detailed, accurate timekeeping records and ensure officials review and sign timekeeping records.
 13. Maintain accurate leave records and periodically review leave accrual balances for accuracy.
 14. Ensure unused leave and separation payments are appropriately supported and paid according to the District's personnel policy. Also, seek reimbursement for any overpayments made to employees identified in this report, as appropriate.
 15. Adequately segregate payroll duties and/or establish compensating controls to provide oversight of the payroll process.

The Board should:

16. Monitor biweekly payroll reports to reconcile payroll-related payments, including unused leave and separation payments, to other payroll records.

Appendix A: Response From District Officials



Otsego County Soil & Water Conservation District

967 CO HWY 33 – COOPERSTOWN, NEW YORK 13326-9222 – PHONE (607) 547-8131 option 4

11 March 2024

Ms. Ann Singer, Regional Chief
Office of the State Comptroller
44 Hawley Street – 17th Floor
Binghamton, NY 13901-4417

RE: Report of Examination 2023M-117

Dear Ms. Singer,

This response will serve as our Response to the subject Report of Examination and as a Corrective Action Plan.

We agree with all draft findings and recommendations. This audit process has allowed us to strengthen our policies and procedures, establishing a firm foundation for future success with grant-funded projects and general operations. The following enumeration is our Corrective Action Plan in response to your recommendations.

1. Establish a separate bank account for each grant and transfer only grant-related funds into these accounts in the full amount.

The District has established and is abiding by a policy requiring separate bank accounts for each grant and the full amount of funds to be deposited into that account upon receipt.

2. Make grant payments from the specific bank account associated with each grant.

The District has established and is abiding by a policy requiring separate bank accounts for each grant fund and appropriate disbursements is be made from that account upon proper approval.

3. Comply with the financial management policy by ensuring that grant disbursements are properly supported and approved before payment.

The District adopted and is using a Grant Disbursement checklist, which must be completed and approved by the Board prior to payments being made.

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4. Review grant overpayments identified in this audit report and seek reimbursement, as appropriate.

The Board recognized and discussed the overpayments and decided not to proceed with seeking reimbursement. The Board added language to the District/Landowner Contract to include reserving the right to collect any overpayments incurred over the duration of the project. The Board also developed a Financial Management Policy to ensure payments to landowners will be made following proof of payment by the landowner to the vendor selected to complete each project. Additionally, the Board is provided a completed procurement checklist and payment request prior to disbursing a payment.

5. Comply with the newly developed financial management policy by ensuring that grants conform to contracts and funding requirements are closed out in a timely manner.

In addition to a newly-developed Financial Management Policy, the Board adopted and is abiding by a formal close-out policy to insure grants are closed out in a timely manner. The policy includes providing a completed procurement checklist and payment request prior to disbursing payments. The checklist and payment request must be substantiated by appropriate supporting documents including but not limited to engineer certification and full confirmation of payments made by other project partners.

6. Use resources from Ag and Markets, such as the District Operations Manual.

District staff and Board of Directors have been made aware of the District Operations Manual as a valuable resource and refer to it as questions arise.

7. Continue using the grant status table to track grant activity.

The Board will continue to use the grant status table to track grant activity.

8. Continue providing grant management training to all staff.

NYS Ag & Markets has provided grant management training at a Board Meeting. The Board continues to take advantage of trainings offered by Ag & Markets.

9. Comply with the disbursements policy by thoroughly auditing all claims before payment.

The Board adopted and is abiding by an updated disbursements policy which directs the Board to thoroughly audit all claims for payment. Auditing is conducted in

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accordance with the guidelines in the District Operations Manual (2017), pp. 95-97.

10. Pay District bills in a timely manner to avoid late fees and interest charges.

The District has worked with vendors to align due dates with Board meetings to allow for timely payments, thereby avoiding late fees and interest charges.

11. Annually audit, or contract for an audit of, the District's records, prepare a written report of the audit results and document them in the Board meeting minutes.

The Board has arranged for an annual audit in conjunction with the County audit. Additionally, the Board is planning a separate financial statement audit.

12. Ensure employees maintain and sign detailed, accurate timekeeping records and ensure officials review and sign timekeeping records.

All employees are responsible to sign and submit weekly timesheets. The District Manager reviews and approves all timesheets. The Board periodically audits timesheets.

13. Maintain accurate leave records and periodically review leave accrual balances for accuracy.

Leave accrual and use is incorporated into the timesheets, which are reviewed as in recommendation #12.

14. Ensure unused leave and separation payments are appropriately supported and paid according to the District's personnel policy. Also, seek reimbursement for any overpayments made to employees identified in this report, as appropriate.

The District has updated the Personnel Policy to address unused leave and separation payments. Future overpayments will be recovered.

15. Adequately segregate payroll duties and/or establish compensating controls to provide oversight of the payroll process.

Payroll is outsourced. The District Manager reviews and approves each preliminary payroll before it is submitted. The Board reviews all payroll reports along with bank statement reviews each month.

16. Monitor biweekly payroll reports to reconcile payroll-related payments, including unused leave and separation payments, to other payroll records.

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The Board performs regular audits of bi-weekly payrolls at several regular meetings and surprise audits on-demand at the District Office.

Sincerely, *M Kennedy*

Margaret Kennedy, Board Chair

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Appendix B: Audit Methodology and Standards

We conducted this audit 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. We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, and the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed Board members and reviewed Board meeting minutes to gain an understanding of District operations, including policies, procedures and controls over grant management, nonpayroll and payroll disbursements.
- We reviewed Ag and Market's November 2021 letter that it sent to the District to determine the extent of the District's compliance violations and other grant management issues.
- We reviewed all 92 transfers of grant funds totaling \$2.8 million from the District's savings account to determine whether funds were transferred intact, in a timely manner and to a separate interest-bearing bank account, as required by the grant agreements.
- We reviewed all 49 grant-related disbursements totaling \$1.8 million made from January 1, 2017 through May 18, 2023 from the grants listed in Figure 1, to determine whether they were paid from the proper separate bank account and were approved before payment.
- We examined 13 grant closeout packages or letters and supporting documentation to determine whether the District overpaid landowners or contractors when reimbursing them for expenses. If applicable, we calculated the amount of the overpayments made with District funds. Included in the 13 grants were the eight grants mentioned in the Ag and Markets letter. We also used our professional judgment to select five other grants, which had been closed out during our audit period, based on our findings related to overpayments and late filings.
- We examined 13 grant closeout packages and District records to determine whether they were adequately supported. We also analyzed whether the content of the closeout packages delayed the submission of the final grant closeout reports.
- We examined the District's corrective action plan (CAP) to evaluate whether it addressed the concerns raised by Ag and Markets and our audit findings. We compared the required actions in the Ag and Markets letter to actions taken by District officials to determine whether they implemented the required actions.
- We used our professional judgment to select 63 disbursements totaling \$154,080, which covered three months (September 16 through October 15,

2020, July 2021 and June 2022), to determine whether the disbursements contained adequate supporting documentation, were Board-approved (if applicable) and were for appropriate District purposes. We selected these months because September 16 through October 15, 2020 occurred several months after the COVID-19 pandemic started and District officials had time to determine how they were going to run meetings and continue the procedures they normally performed at Board meetings; July 2021 occurred in the middle of our audit period and before the Board reacted to the letter from Ag and Markets; and June 2022 occurred near the end of our audit period and after District officials had revised the District's claims audit process.

- We used our professional judgment to select 75 payments totaling \$177,852 based on prior testing results, such as payments including sales tax or late fees, and discussions with officials to determine whether they were necessary, supported and paid at the proper amount.
- We reviewed the District's personnel policy, timesheets and payroll records, and examined all seven unused leave or separation payments totaling \$9,156 that were paid during our audit period, to determine whether they were appropriately supported and legitimate District expenditures.
- Based on discussions with District employees and officials and emails from the former bookkeeper, we examined 2022 payroll records to determine the extent to which employees were overpaid when the pay period was changed from biweekly to semimonthly.

We conducted this performance audit in accordance with generally accepted government auditing standards (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.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

The Board has the responsibility to initiate corrective action. A written CAP that addresses the findings and recommendations in this report should be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law, Section 2116-a (3)(c) of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education. To the

extent practicable, implementation of the CAP must begin by the end of the next fiscal year. 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. The CAP should be posted on the District's website for public review.

Appendix C: Resources and Services

Regional Office Directory

www.osc.ny.gov/files/local-government/pdf/regional-directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.ny.gov/local-government/publications

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.ny.gov/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.ny.gov/local-government/publications

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.ny.gov/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.ny.gov/files/local-government/publications/pdf/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.ny.gov/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.ny.gov/local-government/publications

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.ny.gov/local-government/academy

Contact

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

<https://www.osc.ny.gov/local-government>

Local Government and School Accountability Help Line: (866) 321-8503

BINGHAMTON REGIONAL OFFICE – Ann C. Singer, Chief of Municipal Audits

State Office Building, Suite 1702 • 44 Hawley Street • Binghamton, New York 13901-4417

Tel (607) 721-8306 • Fax (607) 721-8313 • Email: Muni-Binghamton@osc.ny.gov

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