



COUNTY OF ONONDAGA

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County Comptroller*

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October 16, 2023

Onondaga County Soil and Water Conservation District
Attn: Mr. Mark Burger
6680 Onondaga Lake Parkway
Liverpool, NY 13088

Dear Board Members,

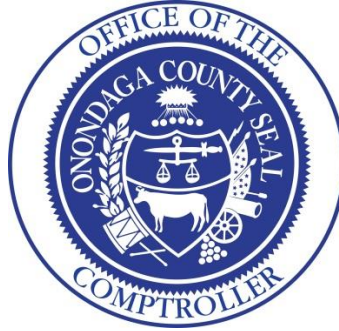
Pursuant to Resolution 19-2016 of the Onondaga County Legislature, the Onondaga County Comptroller's Office performed an audit of the financial information presented in the Onondaga County Soil and Water Conservation District Annual Report of the Treasurer as of and for the year ended December 31, 2022. The Annual Report is prepared by the District and submitted to the New York State Soil and Water Conservation Committee. The objective of our audit was to ensure the Annual Report of the Treasurer was fairly presented in all material respects.

Our work included testing the accounting records and internal controls of the Onondaga County Soil and Water Conservation District which we deemed relevant to ensure the Treasurer's report is fairly presented. Our findings and recommendations are included in the enclosed report.

Included in this report are the District's supplemental informational reports. We have not audited the contents of these reports. Therefore any assertions made are strictly the responsibility of District management.

We would like to thank the District for working cooperatively with us during this engagement.

Martin D. Masterpole
Onondaga County Comptroller



**Report on
Onondaga County Soil & Water Conservation District
Annual Report of the Treasurer for the year ended 12/31/2022
By Onondaga County Comptroller Martin D. Masterpole**

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Section I

Introduction and Executive Summary

Introduction

The Onondaga County Soil and Water Conservation District (District) is required per Soil and Water Conservation Districts Law, Chapter 9-B of the Consolidated Laws, §8. (2) to provide for an annual audit of the accounts of receipts and disbursements. The receipts and disbursements are summarized in the Annual Report of the Treasurer filed with the New York State Comptroller's Office.

County Resolution #19 of February 2, 2016 requires the County Comptroller's Office to conduct an annual financial audit for the Onondaga County Soil and Water Conservation District.

As such, we have audited the Annual Report of the Treasurer (ART) of the District for the year ended December 31, 2022.

Executive Summary

1. The 2022 Annual Report of the Treasurer submitted to the State was not fairly presented in all material respects.
2. The AR/DEF REV schedule contained errors.
3. Bank accounts dedicated to specific funding sources are not routinely balanced for the purpose of determining needed transfer(s) to reimburse operating accounts from which expenditures were paid.
4. The Information of Certain Assets Worksheet contained errors and omissions.

Our high level recommendations to District management include:

- The ART should be prepared and submitted after all financial activity has been thoroughly analyzed, adjustments determined and posted into the financial system.
- The AR/DEF REV schedule should be balanced and reconciled to the general ledger at the grant level of activity.
- At a minimum dedicated bank accounts should be balanced to program activity on an annual basis and appropriate cash transfers should be made to ensure operating and grant accounts represent accurate balances.

Section II

Background

Background

On March 6, 1944 the Onondaga County Board of Supervisors adopted Resolution No. 60 which created the Onondaga County Soil Conservation District in accordance with the provision of the Soil Conservation Districts Law, Chapter 727, and Laws of 1940.

The Onondaga County Soil and Water Conservation District (District) is a special purpose district created to develop and implement programs of soil, water and related natural resource conservation. The District offers a number of natural resources, programs and services, including technical assistance to farmers and landowners, training programs, environmental education programs and the annual Tree & Shrub sale. The District is governed by a Board of Directors who set program policy implemented by the District staff. The District staff consists of an Executive Director, Program Manager, Resource Conservation Specialists, support staff and various volunteers and interns. The District is funded largely through state grants and county and city appropriations. During 2022, the District has recognized approximately \$1,115,747 in funding from Onondaga County for various projects and expenses.

The mission of the Onondaga County Soil and Water Conservation District is to promote excellence in the wise use of rural/urban natural resources. This is accomplished by:

- Reducing erosion and nutrient runoff from agricultural and non-agricultural nonpoint sources by the use of best management practices.
- Providing information and education to the public on sound natural resource conservation principles and practices.
- Promoting the improvement, protection, restoration, and maintenance of surface and ground water quality.

Onondaga County Soil and Water Conservation District's vision per their web site is to live in a society in which future generations will have natural resources necessary to sustain and enrich their quality of life.

Scope:

The objective of our audit was to ensure the Onondaga County Soil and Water Conservation District's Annual Report of the Treasurer is fairly presented in all material respects.

Our objectives were to review:

- Policies and procedures related to fiscal operations.
- Specific areas which came to our attention during the course of the engagement.

- Provide District management with information and recommendations related to their financial operations and other areas to improve internal controls, effectiveness and efficiency.

Methodology:

Our work included tests of the accounting records and other procedures we considered necessary to ensure the Treasurer’s report is fairly presented. Our audit included obtaining an understanding of the entity and its environment, including internal controls, sufficient to assess the risks of material misstatement of the Annual Report of the Treasurer.

In order to complete our objective we:

- Reviewed relevant District policies and procedures to determine if intended expectations were being met.
- Interviewed various staff responsible for fiscal operations and program controls to determine specific practices of these areas.
- Analyzed and compared expected conditions to current conditions and developed draft recommendations.
- Discussed draft recommendations with District management for their input and practicality evaluation.
- Finalized recommendations and included them in this report.

Section III

Annual Report of the Treasurer

The following pages illustrate a comparative 2022 and 2021 operating fund balance sheet and schedule of revenues, expenditures and changes in fund balance. These statements are presented on the modified accrual basis of accounting.

ONONDAGA COUNTY SOIL AND WATER CONSERVATION DISTRICT				
OPERATING FUND BALANCE SHEET				
DECEMBER 31, 2022 AND 2021				
<u>ASSETS</u>	<u>2022</u>	<u>2021</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Cash	\$ 1,301,700	\$ 1,458,004	\$ (156,304)	-11%
Designated Cash	2,613,691	2,316,025	297,666	13%
Accounts Receivable	1,097,168	973,901	123,267	13%
Prepaid Expenses	12,748	7,641	5,107	67%
Total Assets	<u>\$ 5,025,307</u>	<u>\$ 4,755,571</u>		
LIABILITIES				
Accounts Payable	\$ 791,758	\$ 516,890	\$ 274,868	53%
Accrued Vacation	16,503	20,263	(3,760)	-19%
Accrued Payroll	-	17,351	(17,351)	-100%
Payroll Withholdings	12,237	4,901	7,336	150%
Due to Other Governments	1,460	1,460	-	0%
Deferred Revenue	2,319,464	2,535,160	(215,696)	-9%
Total Liabilities	<u>\$ 3,141,422</u>	<u>\$ 3,096,025</u>		
Fund Balance				
Assigned Appropriated Fund Balance	<u>\$ 1,883,884</u>	<u>\$ 1,659,546</u>		
Total Liabilities and Fund Balance	<u>\$ 5,025,306</u>	<u>\$ 4,755,571</u>		

**ONONDAGA COUNTY SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2022 And 2021**

General Fund

<u>Revenues</u>	<u>2022</u>	<u>2021</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Grants from Local Governments	\$ 1,803,869	\$ 1,221,892	\$ 581,977	48%
State sources	1,384,116	1,513,756	(129,640)	-9%
Federal sources	44,687	10,936	33,751	309%
Hydro Seeding	14,389	20,847	(6,458)	-31%
Workshop Income	14,744	11,450	3,294	29%
Equipment Rental	6,826	5,011	1,815	36%
Tree & Shrub Sales	-	-	-	0%
Miscellaneous sources	12,407	20,602	(8,195)	-40%
Sale of Equipment	293	1,433	(1,140)	-80%
Gifts & Donations	1,700	1,800	(100)	-6%
Interest income	3,799	785	3,014	384%
Total Revenues	<u>\$ 3,286,830</u>	<u>\$ 2,808,512</u>	<u>\$ 478,318</u>	17%
Expenditures				
Contractual	\$ 2,127,353	\$ 1,867,055	\$ 260,298	14%
Personnel	615,881	576,723	39,158	7%
Employee Benefits	252,256	265,918	(13,662)	-5%
Equipment	67,005	16,689	50,316	301%
Total Expenditures	<u>\$ 3,062,495</u>	<u>\$ 2,726,385</u>	<u>\$ 336,110</u>	12%
Changes in fund balances	<u>\$ 224,335</u>	<u>\$ 82,127</u>		
Beginning Fund Balance	\$ 1,659,546	\$ 1,579,444		
Prior period Adjustment	3	\$ (2,025)		
Adjusted beginning Fund Balance	<u>\$ 1,659,549</u>	<u>\$ 1,577,419</u>		
Ending Fund Balance	<u>\$ 1,883,884</u>	<u>\$ 1,659,546</u>		

Section IV Findings and Recommendations

Material Differences Reported on the ART:

- A. We noted deferred revenue was over stated by \$109,644.09 due to recording errors on 4 grants as illustrated below.

We discussed the SLWAP Implementation overstatement with the Account Clerk I. We were informed the District is aware of the situation which may include various discrepancies carried over from prior years. We also noted there is a disconnect between the deferred revenue balance of City funds as compared to the combined total of City funds held by the District in dedicated bank accounts as of 12/31/22, which total in excess of \$673,000. We note per City contract item #14 implies surplus funds shall not exceed \$80,000 at the commencement of the new fiscal year.

Estimated Net Overstatement Deferred Revenue at 12/31/22	
Funding Description	Amount Over (Under) Stated
EPF 24 Chittenango	\$ (9,776.41)
WEP 2021 P Removal	\$ 700.00
County Appropriation	\$ 4,099.99
SLWAP Implementation	\$ 114,620.51
Net Over Stated Def Rev Balance	\$ 109,644.09

Recommendation:

- We recommend the Account Clerk I perform an analysis of the general ledger deferred revenue balance and adjust it to actual. We also suggest procedures and policies be implemented to adjust accounts as needed when grants are closed. We also recommend District Administration review and compare the balance reported in the general ledger to the AR/DEF REV schedule at a minimum on an annual basis.*

2. *We recommend the Account Clerk I periodically update financial activity posted to the general ledger to the AR/DEF REV schedule, review and compare its balance to the General Ledger on a quarterly basis and if this is not practical at a minimum this reconciliation should be done as of September 30th, thus leaving three months of activity to reconcile for year-end.*
3. *We recommend District management consider an annualized approach on the AR/DEF REV schedule and their Quick Class Reports as compared to an inception to date approach. This will facilitate the reconciliation process and assist in eliminating old errors from being carried forward.*
4. *We also recommend the District and the City of Syracuse's Water Department work together to determine an appropriate deferred revenue balance as well as an agreed upon cash balance of funds held in City designated bank accounts.*

Accounts Receivable Balance

B. We noted the Account Receivable balance was over stated by \$77,273. This is the result of \$97,000 being collected at the end of the 2022 but still recorded as a receivable, as well as, not properly recording two reimbursement invoices #16462 & #16463 for expenses incurred during 2022 in the amounts \$13,839 and \$5,887, respectively. We noted the latter two invoices were prepared and dated in January 24, 2023 and the “books” were still open at this time. Thus allowing the Account Clerk I time to properly adjust the accounts to actual. Based on our understanding it appears program personnel are responsible for submitting reimbursement requests to certain grantor agencies but inadvertently did not inform the Account Clerk I. These differences are illustrated below.

Estimated Net Overstatement Accounts Receivable at 12/31/22		
Invoice	Funding Description	Amount Over (Under) Stated
16432	EPF23 Upper T (Madison County)	\$ 97,000
16462	GLRI USFS HWA (21-DG-11094200-022)	(13,840)
16463	GLRI USFS EAB (22-DG-11094200-008)	(5,887)
Net Over Stated AR Balance		\$ 77,273

Recommendations:

5. *We recommend the Account Clerk I exercise due care when posting collections to the general ledger to ensure cash collections are recorded and the Accounts Receivable balance is respectively adjusted in the proper time periods.*
6. *We recommend the District implement controls to ensure all reimbursement invoices are reviewed and approved by the Account Clerk I and administrative staff prior to submission to grantor agencies. Program personal should provide the Account Clerk I with supporting documentation for review and comparison purposes to the expenses recorded on the Quick Class Reports to determine if all expenses, as claimed, have been recorded.*

State Funding Revenue

- C. We noted the revenue was understated for EPF 27 Limestone Creek by \$14,139.13 when comparing the reported expenses and gains on the AR/DEF Revenue schedule of \$46,308.63 to the recognized revenue of \$32,115.50.

Recommendations:

7. *We recommend the Account Clerk I review and compare the expenses posted to the AR/DEF Revenue schedule to respective revenue accounts to ensure incurred expenses have been properly recognized as revenue.*

Federal Revenue

- D. We noted \$44,687 in Federal Aid received from the United States Forestry Services was inadvertently combined with County Appropriations and/or Grants on the 2022 ART. We have separated these funds on the Schedule of Revenues, Expenditures and Changes in Fund Balance, presented on page 6.

Recommendation:

8. *We recommend the Account Clerk I obtain an understanding of the District's sources of funding to ensure its proper classification on the ART.*

SLWAP Administration

- E. We noted the District has been carrying a residual balance due from the City of Syracuse for SLWAP administration fees for several years of approximately \$1,765. The administrative fee is a fixed amount requested and paid on a quarterly basis. To account for this difference the Account Clerk I has been manually adjusting the AR balance reported on the AR/DEF

REV spreadsheet as the amounts actually recorded on the spreadsheet do not mathematically agree to the yearend balance as reported. This is counterproductive to the overall intent of the AR/DEF REV spreadsheet as the amounts recorded should coincide with its Quick Class Report.

Recommendations:

9. *We recommend the Account Clerk I adjust the balance to actual based on contractual payments. We also suggest to ensure the integrity of the AR/DEF REV spreadsheet the amounts entered should be based on actual expenses and gains incurred less collections leaving the remaining balance as the amount owed to the District. The practice of manually adjusting this spreadsheet should be discontinued. We further suggest to better assist with the financial management of SLWAP administration and the SLWAP Operating Program consideration be given to only reflecting the current calendar year activity on the AR/DEF REV spreadsheet.*

F. We noted the District did not invoice the City for the 1st and 4th quarter’s administration fee of \$66,690.75 and SLWAP OPS expenses of \$146,480.35 by the required contracted due dates. Both quarters were submitted on 6/26/23 with respective due dates of 7/31/22 and 4/30/23. The District’s calendar year compared to the City’s fiscal periods and billing due dates are illustrated below.

OCSWCD Calendar Year Quarterly Periods Compared to the City of Syracuse's Fiscal Year Periods								
OCSWCD's Calendar Year		Per City Contract			Billing Due Date to City	Submitted Invoice	SLWAP Administration	SLWAP Operations
OCSWCD Quarter	OCSWCD Period	City's Quarter	City's Invoice #	City's Acct Period				
1st	1/31/22-3/31/22	4th qtr.	4	4/1/22-6/30/22	7/31/2022	6/26/2023	\$ 32,316.25	\$ 64,643.27
4th	10/1/22-12/31/22	3rd qtr.	3	1/1/23-3/31/23	4/30/2023	6/26/2023	34,374.50	81,837.08
							\$ 66,690.75	\$ 146,480.35

We also identified and informed the Account Clerk I of approximately \$5,108 in expenses, \$510 incurred in the 2nd quarter and \$4,598 incurred in the 3rd quarter which were not included on the Quick Class Reports at the time of their initial invoicing. These have since been included on the 4th quarter’s invoice.

Recommendations:

10. *We recommend the Account Clerk I invoice the City per the contract terms and work with program personal to ensure all expense have been properly recorded. These controls should also include analyzing on a quarterly as well as on an annual basis the expenses incurred to the amounts previously invoiced to determine if all expenses have in fact been invoiced prior to the completion the final yearend invoice.*

Liabilities

Accrued Expenses:

The District uses a modified accrual basis of accounting which recognizes expenses for goods and services which have been incurred but not yet paid. A journal entry is posted into the accounting system which will record the expense and liability in the proper accounting period. As a Best Accounting Practice, accrual entries are generally reversed at the beginning of the new accounting period so when an invoice is received it can be entered into the system at its actual cost.

- G. We noted based on our review of general ledger transactions the year end accrual expenses are being posted to the Accounts Payable ledger account and are not automatically reversed in the next accounting period. This could potentially lead to over recording expenses if at the time the actual invoice is received and posted the accrual entry is not reversed.

Recommendation:

11. We recommend a separate general ledger account be created for accrued expenses. This will allow for easier verification of Accounts Payable and Accrued Expenses at year end. We recommend all year end accrual journal entries be flagged to automatically reverse in the next accounting period. This will help to eliminate the need for additional journal entries and reduce the risk of possibly recording an expense twice.

Interest Payable:

- H. We noted the District Interest Liability account is not being reviewed and analyzed to properly reflect an accurate yearend balance, as this account was overstated by \$1,141.66. This amount represents interest from grants that have been closed during 2022 and prior. Based on NYS grant requirements interest earned from dedicated grant bank accounts can be used to cover program expenses or must be returned to NYS. Therefore, the interest from the 6 active grants totaling \$317.03 should be reclassified to Deferred Revenue respectively. This is illustrated on the following page.

Interest Payable	
12/31/2022	
Description	Amount
17 ~ Grants deemed closed	<u>\$ 1,141.66</u>
Active Grants	
EPF 22 Carley	\$ 90.51
EPR 23 Chittenango	\$ 38.14
EPF 24 Onondaga	\$ 34.75
CAFO Mapstone	\$ 101.40
CAFO J Hourigan	\$ 48.28
CAFO F Greenwood	\$ 3.95
	<u>\$ 317.03</u>
Total	<u>\$ 1,458.69</u>

Interest recognition occurs at the time of the monthly bank reconciliations and should be appropriately recorded during this process, thus avoiding any inefficiencies in determining yearend balances and adjusting entries. If State funding increases with a corresponding increase in interest rates these amounts might become material.

Recommendation:

12. *We recommend District management consider discontinuing the use of the Interest Liability account and use the more appropriate Deferred Revenue account and make the necessary entries to clear any existing balances for closed grants.*

Deferred Revenue:

The District receives some grant funds in advance from the New York State Department of Agriculture and Markets (NYSAM). Some grant agreements require these funds be deposited in dedicated bank accounts. When multiple grant project funds are received in a single check from the State they are deposited into a District bank account and then transferred into their own respective interest earning savings account. The funds are recorded as deferred revenue and classified as a liability when received. Interest earned is owed to the State and represents a liability. Revenue is periodically recognized for each grant based on expenses incurred. Gains are generated from the State's higher payroll & fringe benefit reimbursement rate as compared to

the District's actual costs. It is District Management's position to keep realized gains in their respective grant savings account until the State completes their close out process.

The District utilizes their accounting system to monitor respective grant activity and generate Quick Class reports. These reports are used to generate the necessary journal entries to adjust the deferred revenue account. The Account Clerk I maintains an Excel spreadsheet called AR/DEF REV schedule which summarizes the cash receipts and expenses respective of all the District's grants. In theory, the deferred revenue balance on the Excel sheet, respective of the grants, should equal the balance of their bank accounts.

- I. We noted differences when comparing the deferred revenue Quick Class balance to the bank balance at 12/31/22. These differences indicate funds which have been paid from the District's checking account are not being transferred from a dedicated grant bank account into the District's accounts. The estimated amount of funds which can be transferred to reimburse District expenses, net of funds not transferred until the grant is closed, is \$95,334.58.

Grant Deferred Revenue vs. Grant Bank Balance Analysis For Year Ending December 31, 2022						
	Quick Class Balance 12/31/22	Balance per 12/31/22 Bank Statement	Difference Quick Class vs. Bank	Non- transferable funds per District Policy	Estimated Due to District for Expenses Incurred	Total of reconciling items
EPF24 Chittenango	32,432.39	95,731.79	\$ (63,299.40)	\$ 15,014.61	\$ 48,284.79	\$ 63,299.40
EPF24 Onondaga	144,782.35	250,215.07	\$ (105,432.72)	60,378.90	45,053.82	\$ 105,432.72
EPF 25 Stack Farm	80,011.04	81,128.82	\$ (1,117.78)	1,092.81	24.97	\$ 1,117.78
EPF 25 CoVale	226,003.92	227,855.60	\$ (1,851.68)	1,997.82	(146.14)	\$ 1,851.68
EPF26 SLWAP Richards	32,390.93	311,875.88	\$ (279,484.95)	279,457.75	27.20	\$ 279,484.95
EPF 26 SLWAP Snow Brook	82,672.54	85,984.54	\$ (3,312.00)	-	3,312.00	\$ 3,312.00
EPF 27 SLWAP (Skan) Allan	50,055.86	50,862.00	\$ (806.14)	806.14	-	\$ 806.14
CAFO Pastureland-Mapstone	237,719.67	240,445.14	\$ (2,725.47)	4,025.22	(1,299.75)	\$ 2,725.47
CAFO Venture	79,904.76	84,059.17	\$ (4,154.41)	4,141.54	12.87	\$ 4,154.41
CAFO Volles	317,785.64	322,280.02	\$ (4,494.38)	4,494.38	-	\$ 4,494.38
CAFO Fabius Greenwood	78,870.85	81,253.91	\$ (2,383.06)	2,318.24	64.82	\$ 2,383.06
	<u>\$ 1,362,629.95</u>	<u>\$ 1,831,691.94</u>	<u>\$ (469,061.99)</u>	<u>\$ 373,727.41</u>	<u>\$ 95,334.58</u>	<u>\$ 469,061.99</u>
				1	2	

1) Gains and interest are kept in the separate project bank accounts for each of the grants until the projects are completed. Accrued expenses are listed on Quick Class report but no funds are transferred until actual expense is paid to vendor

2) The total amount in "Estimated Due to District" of \$95,334.58 represents the total of funds which can be transferred to District accounts out of respective separate project bank accounts.

A contributing factor in the above balance is a change in District philosophy of which expenses should be considered for transfer. In 2021 the Account Clerk I indicated actual salaries and fringe benefits incurred would not be consider for transfer from a dedicated grant bank account into a District account to cover costs incurred as compared to leaving the gains and interest in the respective accounts. Without a written Board of Directors approved memo or an internal memorandum from the Director specifically addressing this issue, we question

this change and its potential effect on District funds, as well as future program funding from New York State sources.

Recommendation:

13. *We recommend procedures be implemented to periodically reconcile the Quick Class Reports with bank statements to ensure amounts will be transferred to cover the District's expenses which have been paid through the District checking account.*

Landowners Escrow:

The District has an Agricultural Environmental Management (AEM) & Implementation Program Escrow Policy as revised and adopted February 24, 2021 which states the following:

For all AEM, and other projects that require a landowner/producer cash match, the landowner/producer is required to provide ***a check (personal, business or certified), money order, or guaranteed letter of credit from a lending institution*** to the Onondaga County Soil and Water Conservation District in an amount equal to the cash match, as per the approved funding agreement. The Letter of Credit must guarantee the bank will make payment to the District upon completion of the project. The escrow payment due date has been established as the date of the signing of the Landowner/Contractor contract.

The overall concept of the above requirement is to ensure contractors will be paid in full and the District is kept in good graces with contractors.

Escrowed funds are deposited into a special AEM bank account and transferred to the District's checking account to pay the contractor once the project is completed.

General ledger account #2001-Due to Contractors is used to record the activity of escrowed funds and the deposits are held in the AEM ESCROW Savings bank account. It is our understanding the balance in the Due to Contractor account represents the landowner's advanced share of the project funds and is a liability to the District until the project is completed and the contractor is paid. If this correlation is maintained it facilitates the reconciliation of the general ledger to the AEM ESCROW bank account.

- J. We noted based on a review of Board minutes 8 of 21 projects were not clearly defined or identified as being a landowner share project or fully covered by grant funds. For example, words such as: "landowner share is estimated to be \$, \$\$\$", "owner's share of costs are estimated to be \$, \$\$\$"; or "landowner's percentage share of project is X%" were not utilized when recording the Board minutes. Based on our inquiries with District management we were informed 7 of the 8 projects were in fact landowner share projects.

Recommendation:

14. We recommend to ensure the intentions of the Board in matters relating to landowner share projects are being met the minutes should clearly identify if projects are or are not landowner share projects.

- K. We noted \$183 of prior period adjustments in GL 2001 Due to Contractors from 2019 and 2020 should be removed from this account. We noted an entry in the amount of \$1,379 was posted in error in December of 2022 which reduced the Due to Contractors account as there was no corresponding entry to offset this reduction. Both of these errors were adjusted in June of 2023.

We also noted a \$47.00 entry properly reduced the Due to Contractors account, however a corresponding withdrawal from the AEM Escrow savings account was not made.

Recommendation:

15. We recommend the Account Clerk I implement a periodic review and reconciliation of the Due to Contractors account and the AEM Escrow Savings account balances, at a minimum this should be done quarterly. We have provided the District with our worksheets to facilitate this process in the future.

Revenue:

Interest Income

- L. We noted District Interest income in 2022 was overstated by \$3,040.87. This amount represents interest from grants totaling \$2,373.14 having their own bank accounts and at the discretion of the granting agency may either be used to offset costs and or the remaining balance in its entirety will be returned to the State. New York State Agriculture & Markets position as stated in their contracts indicates, prior to the final payment, the Contractor (OCSWCD) must submit a statement of interest earned and the final payment for services rendered will be offset by the amount of any interest earned.” Therefore, interest should be recorded on each respective Quick Class report and recognized as deferred revenue and at the time of close out as earned revenue, if applicable.

The remaining balance of \$667.73 relates to the advanced funding provided by the City of Syracuse which per contract section #29 requires unexpended funds, including interest to revert to the City unless their agreement is extended. This interest should also be recognized as deferred revenue. In relation to the City’s accounts we noticed an inconsistency in posting

activities as interest is posted directly to SLWAP Ops but it is not posted to Implementation's Quick Class reports respectively.

Interest recognition occurs at the time of the monthly bank reconciliations and should be appropriately recorded during this process, thus avoiding any inefficiencies in determining yearend balances and adjusting entries.

Recommendation:

16. We recommend the Account Clerk I record interest earnings from dedicated grant bank accounts as well as the City's interest as a deferred revenue at the time the monthly bank reconciliations are prepared. We further suggest interest is recorded on each respective Quick Class report.

Capital Assets:

The District with Board approval has historically capitalized all purchases in excess of \$500 with a useful life greater than one year. This threshold appears reasonable when applying it to the completion of the "Information of Certain Assets Worksheet," included with the ART, which provides a listing of equipment used for conservation purposes costing \$500 or more.

M. We noted the balance reported on the ART's Assets Worksheet of \$415,500 included three items totaling approximately \$24,190, which should not have been listed; the cost of the window installation doesn't meet the definition of equipment, weather stations purchased for landowners and a computer which was considered obsolete and destroyed and approximately \$26,457 net recording errors relating to typos and omissions, resulting in a purposed estimated adjusted balance of \$417,767. This is illustrated on the following page.

Recommendation:

17. We recommended District management implement review procedures to ensure the accuracy of the Assets Worksheet and review the intent of the Boards capitalization policy prior to completing the ART's Assets Worksheet. We have provided the Account Clerk I with our worksheet for reference purposes.

**Information of Certain Assets Worksheet
As of December 31, 2022**

Total of Certain Assets Worksheet reported on the 2022 ART	\$ 415,500.00
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Purposed Removals

Window installed in Tech. room	\$ 20,825.00
Destroyed computer HP Eleitedesk 800 G2 2UA 6362 4 W9	550.00
Weather Stations	2,815.00
Total Purposed Reduction	\$ 24,190.00

Recording Errors

Description

2015 Ford F-250	Omitted	26,557.00
Various typing errors - net		(100.00)
Total Net Recording Errors		\$ 26,457.00

Purposed and Adjusted Assets Worksheet at 12/31/22	\$ 417,767.00
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Section V

Status of Prior Year Findings

Material Differences Reported on the ART:

N. We noted 4 grants totaling \$40,018 reported as deferred revenue on the AR/DEF REV schedule denoted with the description of “W/O” indicating the grant has been closed.

This notation was not present on the 2022 AR/DEF REV schedule

Accounts Receivable Balance

O. We noted \$1,470 in account receivables for five grants reported on the AR/DEF REV schedule denoted with the description of “W/O” indicating “write off” or “close” indicating the grant has been closed and funds will no longer be received.

These notations were not present on the 2022 AR/DEF REV schedule.

SLWAP Administration

P. We noted the District has been carrying a residual balance due from the City of Syracuse for SLWAP administration fees for several years of approximately \$1,765.

This has not been rectified, however the Account Clerk I is aware of this difference on the Quick Class Report and has been adjusting the general ledger account receivable balance to actual.

Accrued Expenses:

Q. We noted based on our review of general ledger transactions the year end accrual expenses are being posted to the Accounts Payable ledger account and are not automatically reversed in the next accounting period.

This is a reoccurring issue in 2022.

Accrued Vacation:

R. We noted based on our review of general ledger transactions a year end entry to adjust accrued vacation was not posted resulting in an overstatement of payroll expenses of \$4,073.

This did not reoccur in 2022.

Deferred Revenue:

- S. We noted differences when comparing the deferred revenue Quick Class balance to the bank balance at 12/31/21. These differences indicate funds which have been paid from the District's checking account are not being transferred from a dedicated grant bank account into the District's accounts. The estimated amount of funds, net of gain and interest, which can be transferred to reimburse District expenses is \$301,748.

This reoccurred in 2022 but was considerably less at \$95,334.58.

City Implementation Funds

- T. We noted the District is not fully in compliance with their City of Syracuse contract section #29, which requires unexpended funds, including interest to revert to the City unless their agreement is extended. Interest was not recorded on the Quick Class report to reflect this requirement and \$54 was inadvertently recognized as interest income.

This occurred again and City interest in the amount of \$667.73 was recognized as income in 2022. Per the 2021 Management response to this finding "At year end we will make a journal entry to make sure interest on a grant does not look like income and/or spendable cash". It appears no journal entries to move interest out of revenue were done in 2022.

Landowners Escrow:

- U. We noted 1 of the 5 landowner share projects did not adhere to receiving the escrow payment at the time of the Landowner/Contractor contract signing date. The Larkin grazing project contract was executed on 4/25/21, however the receipt date of the check and deposit date were 5/18/21 and 5/20/21, respectively.

This did not reoccur in 2022.

- V. We noted \$183 of prior period adjustments in GL 2001 Due to Contractors from 2019 and 2020 should be removed from this account.

This adjustment was made in June 2023.

Revenue:

- W. We noted interest earned in 2021 for grants having their own bank accounts was improperly recorded as interest income.

This is a reoccurring issue in 2022.

Capital Assets:

X. We noted the balance reported on the ART's Assets Worksheet of \$350,508 included several items totaling approximately \$724, which fall below the District's capitalization policy and approximately \$58,000 net recording errors relating to typos and omissions, resulting in a purposed estimated adjusted balance of \$407,692.

There were similar noteworthy issues during 2022.

Section VI Management Response

The following pages are the District's responses to our audit findings & recommendations.



Onondaga County Soil & Water Conservation District

6680 Onondaga Lake Parkway, Liverpool, New York 13088
Phone: 315-457-0325 • fax: 315-457-0410 • e-mail: info@ocswcd.org
Website: www.ocswcd.org

A.

1. The Account Clerk I (AC) can and will perform an analysis of the general ledger (GL) deferred revenue balance and adjust it to actual, starting in June/July of each year, allowing for time to review/address any issues. The AC and Executive Director will review the Annual Report of the Treasurer (ART) before it is filed and will review and compare the balance report of the GL before the end of the fiscal year.
2. The AC has been working, on a monthly basis since June/July, to update financial activity posted to the GL and to the AR/DEF REV schedule, and to review and compare its balance to the GL. This will only get better as in the future only one AC will be performing this task.
3. The AC accepts the recommendation of an annualized approach on the AR/DEF REV schedule and their Quick Class Report versus the previously used inception data approach, on the grants/funds that it makes sense to do so. For example, individual State grants such as the various CAFO, EPF, ESC, CRF grants have their own classes, are simple and “short-lived” enough where tracking from inception to closure within one class is not a problem and is actually preferred. The AC will begin adopting an annualized approach on other grants such as SLWAP funds, OCWA, WEP Admin, WEP Stormwater, and any others that are better managed in an annualized approach because of longevity, complexity, and in order to avoid the possibility of having a deferred balance and a receivable within the same class. We like this recommendation and have begun transitioning to this approach, on a trial basis, on a few funding sources.
4. The District will work with the City to determine an appropriate deferred revenue balance and will also agree on a cash balance of funds held in designated City accounts. The District will also work to annualize this account so that we are not carrying forward/reporting, annually, 29 years of data. This change should actually make it easier for the AC to perform her job.

B.

5. Care will be exercised when posting collections to GL to ensure cash collections are recorded and the AR balance is adjusted in the proper time period.
6. Administrative staff will make sure that field staff provide the AC with supporting documentation for review and comparison purposes to the expenses recorded on the Quick Class reports to confirm that all expenses have been recorded. The AC will update the AR/DR schedule and the GL balances so that they agree with actual.

C.

7. This occurred due to human error. The AC will review and compare the expenses posted to the AR/DEF REV schedule to respective revenue accounts to ensure incurred expenses have been properly recognized as revenue. This should not happen again.

D.

8. This occurred due to federal grant funds being grouped together with local funds in our Quick Books class list and human error when the ART was being completed. The AC is aware that these are federal funds and will report them on the federal fund line in the future.

E.

9. The under invoiced of \$1,765 to the City will be written off. Additionally, the District will discontinue the practice of manually adjusting the AR/DEF REV spreadsheet. The AC is working to and will begin annualizing all SLWAP fund class reports so that actual balances will be reported on the AR/DR schedule as actual.

F.

10. The event occurred during a time when two people were performing the duties due to a leave of absence. We acknowledge that the invoice did not get sent out in a timely manner. The AC did recognize that personnel hours were charged to a grant when they should have been charged to the City. The AC reversed the charge to the grant funds and invoiced the City during the next billing cycle.

G.

11. Starting in 2023, the District will generate and utilize a separate GL account for accrued expense and will automatically reverse accrued entries at the beginning of the new accounting period.

H.

12. The District will work on appropriately recording and tracking interest. The District will discontinue the use of the Interest Liability account and make the necessary entries to clear any existing balances for closed grants. The AC has looked into reclassifying interest from active grants to Deferred Revenue and has found that this is not a workable solution. By reclassifying interest to Deferred Revenue, the District will lose the ability to track interest earned under each grant account and to readily report this necessary information to the State (it will no longer appear on any quick class reports.) The District recognizes that the current classification of interest as revenue is not ideal, but also recognizes that this may be the best option, given that QuickBooks is not designed for tracking grants. The District will continue to explore possible solutions.

I.

13. The District notes there was an improvement in this area from the previous year and the AC will review and compare dedicated bank accounts to respective quick class reports for the transferring of funds per District policy dated September 28, 2022.

J.

14. The District Executive Director has already met with staff and informed that they need to be 100% clear in their BOD presentations of funding agreements to specify the amount of landowner escrow. The Administrative Assistant/Secretary to the BOD has been instructed to make sure that she specifies “Landowner Escrow” and the corresponding amount of funds in the monthly BOD minutes.

K.

15. This was fixed in June of 2023 upon the AC return to the job. The AC worked with the audit team on this. The AC, prior to issuing any check that requires landowner escrow, reviews the escrow account and confirms that required funds are in the account. The AC will review fund balances in the escrow account on a monthly basis and verify whether they are to remain in the account for upcoming projects, or whether they need to be returned to the landowner, and will address any other issues that may occur.

L.

16. The District will work on appropriately recording and tracking interest. The AC has been and will continue to transfer incoming grant funds to their dedicated bank accounts in a timely manner. Doing so will automatically record interest to the correct quick class reports. The AC has looked into reclassifying interest from active grants to Deferred Revenue and has found that this is not a workable solution. By reclassifying interest to Deferred Revenue, the District will lose the ability to track interest earned under each grant account and to readily report this

necessary information to the State (it will no longer appear on any quick class reports.) The District recognizes that the current classification of interest as revenue is not ideal, but also recognizes that this may be the best option, given that QuickBooks is not designed for tracking grants. The District will continue to explore possible solutions.

M.

17. This came down to human error. The Executive Director and the AC will review the asset list prior to submitting the ART. The District can cross-check the vehicle asset list with the fuel account records to confirm that all vehicular assets are recorded on the ART.

Section VII

Supplemental Unaudited Information

2022 Year In Review

The District got back up to full capacity with full-time employees in 2022! But the District struggled to find enough competent summer help to meet all its deliverables. With the help of our friends at Oswego County SWCD, we were able to salvage the summer season as it relates to the water chestnuts and hydro seeding program.

The District made significant changes in 2022. Recognizing the work load involved much more than one person could do, the Board of Directors (BOD) agreed to reallocate a portion of the work previously assigned to the District's Account Clerk among two other employees. Now there is a part-time salary and benefits coordinator, and the District's Administrative Assistant creates and issues recurring monthly invoices to customers. These changes allow the Account Clerk to be able to focus on the budget/finances, monthly reporting to the BOD, compliance with audit procedures, etc. The change has helped immensely to balance the workload in the administrative side of the office.

The Account Clerk is making good progress on addressing the items brought forward by the audit team. We truly believe that in another year or two, the AC will be able to address many of the higher end items that the audit team would like to see. We truly believe that it can take 3 years to fully get ones arms around all aspects of this complex job.

Management worked hard to train staff in stream bed and bank stabilization techniques. The District brought in experts to impart their knowledge, skills and experience into the staff. The goal was to have the staff be able to look at streams and erosion through a different lens so that they could better understand what was eroding, why it was eroding, and how to best address the erosion in a cost-efficient and environmentally effective way.

Grants are continuing to get harder to obtain as there are fewer grants and there is more competition now that there are more eligible applicants to compete for these funds. Today, the needs for funding are greater than ever before with the push towards climate change/climate mitigation/carbon reduction and harmful algal blooms (HABs).

The District and their contractors experienced major supply chain disruptions. Many projects were 50% to 250% higher in cost, post-Covid. The average cost tables that we maintain and have used for years to estimate project costs are no longer reliable. Staff will now only have actual current year cost estimates to base their project expenses on. It will be very challenging trying to forecast project expenses three years into the future for grants that the staff are currently authoring.

Unfortunately, the District experienced tremendous community opposition to environmentally beneficial agricultural projects required by environmental regulations (e.g. manure storage facilities). It appears that part of the problem is that many of our citizens are now closer to four generations removed from the farm. They have no understanding of modern-day agriculture and how it feeds and cloths them. Staff have been required to spend exorbitant amounts of time trying to educate community leaders and community members about the science and regulatory compliance legislation that guide farmers on Best Management Practice (BMP) projects. Some of the public essentially has no trust or faith in the regulatory process at the State and Federal levels and the science provided from established academic institutions like Cornell University (and others) upon which the regulations and BMPs (like manure nutrient storage) and applications are based. Unfortunately, there is not enough staff time allowed in grants to pay for this education and outreach on every controversial project. This requires the District to use other funding to cover these costs; funding that will be further limited because of competition from outside sources. Unfortunately, it is only these grants that help implement other BMPs that keep the soil on the land, the nutrients in the soil and the water clean, as expected by all community members.

It seems like EVERYBODY wants to have in-person meetings, all the time. These meetings significantly take away from staff members' time and make it difficult for them to get the fieldwork done and projects implemented that will improve water quality and ultimately enable the grant money to be spent.

In 2022, former Chairman C. Tom Trinder of the BOD for ten years between 1999 and 2009 passed. He was a BOD member for a total of 14 years!

The year ended on a good note! Greenfields Crop Farm in Skaneateles, NY received the NYS Department of Agriculture and Markets "Aldo Leopold Conservation Farm of Year Award" for NYS! A magnificent celebration took place in Skaneateles, NY in August on a blue-bird day. It was nice to see a local farm's work, dedication and commitment to agriculture be recognized!

2023 and Beyond

Farms are only going to continue to get larger which will make the cost of Best Management Practice (BMP) projects more expensive. Fifteen years ago, a 400,000 to 600,000 gal manure nutrient storage was considered big. Today, the average storage size is 4 million gallons. Interestingly, the agricultural lending institutions are driving the market and if a farm wants to borrow money, the lending institutions want the farm to add more cows to reduce the "cost per cow ratio". Milk cooperatives are also influencing the future of dairy farms by requesting to pick up full semi-trailer loads of milk per stop at a farm. Additionally, with farmers paying as much for land as developers (to maintain compliance with their NYS DEC CAFO permits), this trend of "larger" is likely to

continue. There is talk of a 35-million-gallon storage to be installed in a neighboring county. The bottom line is that there is likely to be more conflict at the interface between the non-ag and agricultural community, as many non-ag community members are now four generations removed from the farm and out of touch with farming operations and the role of farm products play in their daily lives.

Since the harmful algal bloom (HAB) outbreak of 2018 on Skaneateles Lake (there are documented reports of blooms going back to 1894 in official records held by the City of Syracuse, Department of Water) a growing number of “outside” groups are becoming eligible applicants for grant funding. These additional groups are in direct competition on SWCDs and will reduce the amount of funds going directly through the SWCDs for conservation projects. This is a problem as the groups applying are not tried and true, seasoned conservation professionals who have had the training, education, and experience in this field; they are well intentioned community members trying to do the right thing in their communities.

The people applying for environmental jobs today often are enthusiastic and highly driven to do the job. But we are seeing that these candidates need to be taught most everything, have no real experience to offer and/or draw from, unlike the candidates years ago that grew up on farms. That is fine, but it takes a substantial amount of time (years) and money to teach and train them. This makes it more difficult when hiring for a 2-month summer job versus a full-time job, where you hopefully have three years to get the person up to speed on what they need to know. Very few, if any, of these folks have any agricultural experience anymore. Even the contractors taking the NYS DEC 4 hr Erosion and Sediment Control class are sharing the same sentiments in their line of work.

With all of the funding on the horizon from the Environmental Bond Act, Micron coming to town, etc., SWCD resources will be pulled in many directions. Hopefully common sense and experience prevail on what the real environmental priorities will be, that have to be addressed to protect water quality from soil erosion.

And, times are changing. No longer will water quality be the primary driver of environmental work. It will also be about the atmosphere and reducing carbon emissions. We are already seeing this. Unfortunately, many stakeholders cannot agree on how and when and what to do to make the biggest improvements in carbon sequestration. The Environmental Protection Fund (EPF) Round 29 has \$12 Million available. Climate Resilient Farming (CRF) Round 7 has \$16 Million available. This is the first time that CRF has offered more grant funding than EPF. Times are certainly changing.

A summer crew of five employees is ideal for the District. This will allow a six-month intern for both the hydroseeding program as well as the arboriculture (Emerald Ash Bore/Hemlock Wolly Adelgid) program. It will also provide the water chestnut crew with three employees for the summer. This work plan allows for employees to take some time

off and for the district to still be able to meet all their deliverables. In 2023 the District split the workload up so that each summer employee (except arboriculture due to this position needing to be certified with the NYS DEC to apply pesticides) got two to three weeks of time on the hydroseeder. Per the feedback from the summer 2023 crew, this initiative should be continued as it helped the summer crew to obtain more diversified experience while breaking up the monotony of pulling water chestnuts.

The District will need to think about how to restructure the Executive Director position when he retires in five to ten years.