



COUNTY OF ONONDAGA

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February 5, 2021

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, 2019. 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 information. 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 and Water Conservation District
Annual Report of the Treasurer for the year ended 12/31/2019
By Onondaga County Comptroller Martin 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. This activity is 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 annual financial audits for the Onondaga County Soil and Water Conservation District.

As such, we have audited the Annual Report of the Treasurer of the District for the year ended December 31, 2019.

Executive Summary

1. The Annual Report of the Treasurer (ART) was prepared prior to the completion of posting all year-end activity resulting in material differences. The ART as submitted to the New York State Comptroller was not fairly presented in all material respects as compared to the year-end general ledger.
2. The 2019 financial statements presented below are based on the finalized general ledger activity and are fairly presented in all material respects.
3. The AR/DEF REV schedule contained errors and unsupported balances.
4. Submissions for reimbursement of expenses from the funding sources were not timely.
5. 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.
6. Bank deposits and interbank transfers are not made in a timely fashion.

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.
- District Management should take a more aggressive role in monitoring accounts receivable.
- Dedicated bank accounts should be balanced to program activity at a minimum on an annual basis and appropriate cash transfers be made to ensure operating and grant accounts represent accurate balances.
- Bank deposits and interbank transfers should be made in a timely fashion according to internal control procedures.

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 2019, the District has recognized approximately \$755,200 in funding from Onondaga County for various projects.

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.

The vision of the Onondaga County Soil and Water Conservation District 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.

<p style="text-align: center;">Section III Annual Report of the Treasurer</p>

The following pages illustrate a comparative 2019 and 2018 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. The 2019 statements are based on the activity reported in the general ledger and do not represent the balances reported on the ART. This is discussed in finding A.

**ONONDAGA COUNTY SOIL AND WATER CONSERVATION DISTRICT
OPERATING FUND BALANCE SHEET
DECEMBER 31, 2019 AND 2018**

General Fund

ASSETS	2019	2018	Dollar Change	Percentage Change
Cash	\$1,492,788	\$ 1,183,256	\$ 309,532	26%
Designated Cash	2,119,862	1,642,309	\$ 477,553	29%
Accounts Receivable	841,942	956,300	(114,358)	-12%
Prepaid Expenses	8,723	2,473	6,250	253%
Total Assets	<u>\$4,463,315</u>	<u>\$ 3,784,338</u>		
LIABILITIES				
Accounts Payable	\$ 266,139	\$ 269,659	\$ (3,520)	-1%
Accrued Vacation	22,177	24,001	(1,824)	-8%
Accrued Payroll	15,067	8,727	6,340	73%
Payroll Withholdings	5,592	6,218	(626)	-10%
Due to Other Governments	1,294	676	618	91%
Deferred Revenue	2,624,689	1,974,247	650,442	33%
Total Liabilities	<u>\$2,934,958</u>	<u>\$ 2,283,528</u>		
Fund Balance				
Assigned Appropriated Fund Balance	<u>\$1,528,357</u>	<u>\$ 1,500,810</u>		
Total Liabilities and Fund Balance	<u>\$4,463,315</u>	<u>\$ 3,784,338</u>		

**ONONDAGA COUNTY SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

General Fund

Revenues	2019	2018	Dollar Change	Percentage Change
Grants from Local Governments	\$ 1,476,954	\$ 1,338,746	\$ 138,208	10%
State sources	793,138	815,825	(22,687)	-3%
Pass-through Income	-	28,502	(28,502)	-100%
Hydro Seeding	27,393	38,380	(10,987)	-29%
Workshop Income	28,850	14,925	13,925	93%
Equipment Rental	7,348	9,114	(1,766)	-19%
Tree & Shrub Sales	14,087	14,420	(333)	-2%
Miscellaneous sources	8,336	7,311	1,025	14%
Sale of Equipment	5,557	-	5,557	100%
Gifts & Donations	800	1,000	(200)	-20%
Interest income	1,243	974	269	28%
Total Revenues	\$ 2,363,706	\$ 2,269,197	\$ 94,509	4%
Expenditures				
Contractual	\$ 1,377,130	\$ 1,326,450	\$ 50,680	4%
Personnel	624,460	584,073	40,387	7%
Employee Benefits	258,847	242,563	16,284	7%
Equipment	40,138	33,532	6,606	20%
Total Expenditures	\$ 2,300,575	\$ 2,186,618	\$ 113,957	5%
Changes in fund balances	\$ 63,131	\$ 82,579		
Beginning Fund Balance	\$ 1,500,810	\$ 1,422,383		
Prior period Adjustment	\$ (35,584)	\$ (4,152)		
Adjusted beginning Fund Balance	\$ 1,465,226	\$ 1,418,231		
Ending Fund Balance	\$ 1,528,357	\$ 1,500,810		

Section IV Findings and Recommendations

General Ledger Balances Compared to the ART:

A. We noted material differences in the Accounts Receivable, Deferred Revenue and Total Revenue when comparing the year-end general ledger activity to the ART. It is our understanding the ART was prepared and submitted before the required due date of the report but prior to the finalization and posting of activity into the financial system. These differences are illustrated below:

General Ledger			
vs.			
Annual Report of the Treasurer (ART)			
December 31, 2019			
	General Ledger	ART	Difference
Cash	\$ 3,612,650	\$ 3,612,650	\$ -
Accounts Receivable	841,942	823,917	18,025
Prepaid Expense	8,723	8,723	-
Total Assets	\$ 4,463,315	\$ 4,445,290	\$ 18,025
Accounts Payable	\$ 242,072	\$ 242,072	\$ -
Other Liabilities	24,067	24,067	-
Due to other governments	1,294	818	476
2110 · Accrued Liabilities	20,659	20,659	-
2400 · Compensated Absences	22,177	22,177	-
Deferred Revenue	2,624,689	2,656,739	(32,050)
Total Liabilities	\$ 2,934,958	\$ 2,966,532	\$ (31,574)
Total Revenue	\$ 2,363,706	\$ 2,323,702	\$ 40,004
Total Expenses	\$ 2,300,575	\$ 2,299,434	\$ 1,141

Recommendation:

1. *We recommend in the future every attempt be made to finalize and post all financial information into the system prior to the ART's submission due date in February. We further suggest more administrative oversight and communication is implemented among the parties involved with the ART's submission and when necessary, an extension should be requested to ensure the financial information submitted is reflective of the activity reported on the finalized general ledger.*

Accounts Receivable:

The Quick Books financial system, based on conversations with the District management, cannot provide a detailed Accounts Receivable Aging report. We have relied upon the Accountant I to provide us with a detailed Accounts Receivable worksheet (AR/DEF REV Sch). This ancillary worksheet details grant funds received and expenses incurred and gains realized from inception to date. It lists all outstanding money owed to the District and should agree to the Accounts Receivable General Ledger account in the financial system.

Based on the information provided to us, the Accounts Receivable schedule does not tie to the general ledger. Although the net difference is below our materiality of misstatement threshold taken as a whole to the financial statements, the culmination of errors rose to a level where we deemed it a reportable condition.

- B. We noted the accounts receivable balance reported in the General Ledger was approximately \$18,288 higher than our purposed adjusted balance to the accounts receivable amount on the AR/DEF REV schedule. There were noted errors in gain calculations and balances provided. The following illustration presents the overall net adjustment to the AR/DEF REV accounts receivable balance of approximately \$16,635, resulting in an estimated balance of \$823,654. This adjusted balance is then compared to the year-end accountant's receivable balance reported in the General Ledger of \$841,942, which resulted in the estimated difference of \$18,288.

**Purposed Adjustments to the Accounts Receivable Balance detailed on the AR/DEF Rev Schedule at
12/31/19**

Re-determination of Gains

Grant	Determined Amount	Reported Balance per AR/DEF Rev Schedule	Purposed Adjustment
AEM 19/20	\$ 1,303.09	\$ 9,929.09	\$ (8,626.00)
DEC Rnd 11	2,199.24	4,603.58	(2,404.34)
EAB Ph V	5,321.23	3,891.01	1,430.22
EAB Ph VI	9.00	5,200.10	(5,191.10)
WEP MOU 2019	4,608.77	4,603.03	5.74
Cnty W' Chestnut	1,393.47	3,463.18	(2,069.71)
Net Gain Adjustments	\$ 14,834.80	\$ 31,689.99	\$ (16,855.19)

Purposed Adjustments to Year End Account Balances

DEC Rnd 11	\$ -	\$ 24,289.16	\$ (24,289.16)
EAB Ph V	46,789.80	35,746.86	11,042.94
SLW Ops	-	(20,715.25)	20,715.25
Schedule Adjustment	-	7,248.48	(7,248.48)
Net AR Adjustments	\$ 46,789.80	\$ 46,569.25	\$ 220.55
Net Overall Adj. to AR/DEF Schedule	\$ 61,624.60	\$ 78,259.24	\$ (16,634.64)
AR/DEF Rev Balance at 12/31/19			\$ 840,288.32
Proposed Balance at 12/31/19			\$ 823,653.68
General Ledger AR Balance at 12/31/19			\$ 841,941.78
Estimated Overstatement at 12/31/19			\$ (18,288.10)

DEC Rd 11

C. We noted \$24,289.16 of expenses were in excess of the grant's agreed upon reimbursement amount.

Emerald Ash Borer (EAB) Phase V

- D. We noted differences in the year end accounts receivable balance reported on the AR/DEF REV schedule as compared to its respective Quick Class Report. The balance determined using the Quick Class Report is \$20,720.78 greater than the balance on the AR/DEF schedule. This is due to a correction made in the general ledger to the fund balance based on findings from the 2018 audit. The correcting journal entry did not affect the Class report as it should have. We requested the Accountant I perform an analysis of the grant activity to determine the correct balance at 12/31/19, which resulted in an additional \$11,042.94 of expenses and the correct balance to be \$46,789.80.

These 2019 expenses were not invoiced until November 2020 as a result of the analysis.

SLW Ops & Schedule adjustment

- E. We noted the following regarding the amounts recorded:

SLW Ops - Based on our inquiry it was determined the amount recorded of \$20,715.25 should not have been recorded on the schedule.

Schedule Adjustment - The explanation provided for the \$7,248.48 indicated a difference existed between the systems beginning and ending General Ledger Account Receivable balances. Our review of these balances could not support this conclusion and we omitted this amount accordingly.

Recommendation:

2. *We recommend the Accountant I periodically perform a reconciliation between the General Ledger Accounts Receivable and the AR/DEF REV schedule 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 the Accountant I make the necessary adjustments to the Quick Class Reports and District Management implement review procedures to ensure the supporting detailed Quick Class Reports agree to the AR/DEF REV schedule.*
4. *We recommend implementing the use of subsidiary accounts which includes the funding amount and expenses incurred to date as a means to manage the financial activity at the grant level, assist with year-end balance determinations and avoid overspending grant awards.*
5. *We recommend District Management implement controls to ensure reimbursement of expenses is claimed in a reasonable manner such as monthly or quarterly. We recommend monthly follow up on unpaid invoices be performed and documented. We further recommend the AR/DEF REV schedule be presented at the Board meetings to*

keep them abreast of unreimbursed expenses and outstanding reimbursement submissions. We recommend the Board consider instituting a Finance Committee to address these issues at a more detailed level.

Skaneateles Lake Watershed Agricultural Program (SLWAP)

- F. The District incurred expense of \$40,874.85 in excess of the contracted amount with the City of Syracuse in the first quarter of 2019 ~ OCSWCD period of operations of 1/1/19 – 3/31/19 which correlates to the last quarter of the contract period of 4/1/19 – 6/30/19. It's our understanding project expenses were incurred in good faith, however the timing as it relates to the contact were misaligned. It should be noted the City of Syracuse's contract is based on a fiscal year of 7/1/18 – 6/30/19, while the District operates on a calendar year and this may have caused an inadvertent misinterpretation of the timing of incurring project costs.
- G. We noted the District's request for reimbursement of administrative expenses was \$1,393.50 less than their contracted amount with the City of Syracuse for the 2nd quarter period of 4/1/19 – 6/30/19. The District claimed \$26,962.25 instead of the quarterly contracted payment of \$28,355.75. The \$26,962.25 represents a quarterly payment from the previous contract.

Recommendation:

6. *We recommend District Management and Program Manager implement controls to ensure expenses do not exceed contract limits and are incurred in the appropriate contract time period, such as devising and implementing a schematic of the relevant contract dates as compared to the District's calendar year. We also suggest District Management contact the City to determine if there are any other options available to recover the non-reimbursed expenses. We further suggest attempts be made on future contracts to better align the fiscal and calendar year quarters of the two entities.*

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 that realized gains are kept 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 Accountant 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.

H. We noted differences when comparing the deferred revenue Quick Class balance to the bank balance at 12/31/19. These differences indicate funds which have been paid from the District's checking account but are not being transferred from a dedicated grant bank account into the District's accounts. The estimated net amount of funds which can be transferred to reimburse District funds is \$78,323.51. The deferred revenue account detail we tested is illustrated below:

Grant Deferred Revenue vs. Grant Bank Balance Analysis For Year Ending December 31, 2019									
	Quick Class Balance 12/31/19	Balance per 12/31/19 Bank Statement	Difference Quick Class vs. Bank	Gain and Interest Amounts	Quick Class Posting Error	Due to District for Expenses Incurred	Transfers to District Accounts	Total of reconciling items	Difference
EPF21 Seneca	\$ 206,910.75	\$ 220,643.93	\$ (13,733.18)	\$ 4,154.84	\$ -	\$ 9,603.90	\$ -	\$ 13,758.74	\$ 25.56
EPF22Carley	130,973.10	149,422.46	(18,449.36)	733.58		17,432.70		18,166.28	(283.08)
EPF22 Chitt/Frazee	89,847.79	95,594.98	(5,747.19)	1,520.86		41,601.76	(37,374.84)	5,747.78	0.59
EPF23 Seneca	74,164.10	99,476.21	(25,312.11)	3,029.29		53,969.77	(31,686.65)	25,312.41	0.30
EPF23 Leubner	131,401.58	133,501.74	(2,100.16)	331.60		1,486.42	-	1,818.02	(282.14)
EPF24 Onondaga	327,314.26	361,295.38	(33,981.12)	1,497.69	12,866.10	45,941.26	(26,360.00)	33,945.05	(36.07)
CAFO Richards	95,398.19	96,031.93	(633.74)	123.20		740.98	-	864.18	230.44
CAFO Hourigan	92,549.29	93,180.05	(630.76)	838.21		1,314.84	-	2,153.05	1,522.29
CAFO Pastureland	239,420.80	240,078.97	(658.17)	606.27		1,447.43	-	2,053.70	1,395.53
CAFO Fabius Grnwd Rn 2	80,816.00	81,113.14	(297.14)	89.61		205.94	-	295.55	(1.59)
	<u>\$ 1,468,795.86</u>	<u>\$ 1,570,338.79</u>	<u>\$ (101,542.93)</u>	<u>\$ 12,925.15</u>	<u>\$ 12,866.10</u>	<u>\$ 173,745.00</u>	<u>\$ (95,421.49)</u>	<u>\$ 104,114.76</u>	<u>\$ 2,571.83</u>
						1	1		
						Σ 1 =	\$ 78,323.51		

1) The difference between the total amount in "Due to District" and "Transfers to District Accounts" of \$78,323.51 represents the net total of funds which can be transferred to District accounts out of respective separate project bank accounts.
2) Gains are kept in the separate project bank accounts for each of the grants until the projects are completed.

I. We noted three of the ten deferred accounts tested (EPF 22 Chit/Frazee, EPF 23 Seneca, and EPF 24 Onondaga) the funds transferred to the District was less than the actual grant expenses.

Recommendation:

7. We recommend due care is taken when reconciling the Quick Class Reports with bank statements to ascertain proper amounts will be transferred to the District's bank account that equals the amount of expenses paid through the District checking accounts.

J. We noted interest relating to the NYSAM accounts is inconsistently recognized as a liability and entered on their respective Quick Class Reports.

Recommendation:

8. We recommend the Accountant I implement procedures to have the interest earned properly posted at the time of the preparation of the monthly bank reconciliations.

AR/DEF Schedule Balance

The Quick Books financial system, based on conversations with the District management, cannot provide a detailed Deferred Revenue report. We have relied upon the Accountant I to provide us with a detailed Deferred Revenue worksheet (AR/DEF Sch). This ancillary worksheet details grant funds received and expenses incurred and gains realized from inception to date. It lists grant money received by the District which has not been spent and should agree to the deferred revenue general ledger account in the financial system.

Based on the information provided to us, the Deferred Revenue schedule does not tie to the general ledger. The net difference is below our materiality of misstatement threshold and thus deemed immaterial. The chart below highlights the difference in calculated grant gains versus the gains reported on the AR/DEF Schedule. The schedule also listed several adjustments whose meaning was not clearly discernable nor could be supported with proper documentation. They were listed as adjustments to the balance on the AR/DEF Schedule. Therefore we have proposed a net reduction for gains and adjustments in the amounts of \$430.26 and \$4,801.61, respectively. This is illustrated on the following page.

**Purposed Adjustments to the Deferred Revenue Balance detailed on the AR/DEF Rev Schedule
at 12/31/19**

Re-determination of Gains

Grant	Determined Amount	Reported balance per AR/DEF Rev Schedule	Purposed Adjustment
Net gain difference from various grants tested	\$ 14,084.24	\$ 14,393.22	\$ (430.26)

Purposed Adjustments to Year End Account Balances

Barbland	\$ -	\$ 30,537.67	\$ (30,537.67)
OCWA	-	(20,000.00)	20,000.00
USC-C16	-	(14,698.76)	14,698.76
Net various adjustments on schedule	-	8,962.70	(8,962.70)
		-	
Net Deferred Revenue Adjustments	\$ -	\$ 4,801.61	\$ (4,801.61)
Net Overall Adj. to AR/DEF Schedule	\$ 14,084.24	\$ 19,194.83	\$ (5,231.87)
AR/DEF Rev Balance at 12/31/19			\$ 2,626,311.69
Proposed Balance at 12/31/19			\$ 2,621,079.82
General Ledger Deferred Revenue balance ar 12/31/19			\$ 2,624,689.29
Estimated Overstatement at 12/31/19			\$ (3,609.47)

9. *We recommend the Accountant 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.*

Landowners Escrow:

The District has an Agricultural Environmental Management (AEM) & Implementation Program Escrow Policy as revised and adopted October 2019 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 certified check, 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 specify the exact cash match required and guarantee payment of such amount or guarantee such cash match amount will be set aside and used exclusively for the cash match from an existing account. ***Arrangements will be made prior to the start of the implementation.***

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 and the general public.

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 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 account.

K. We reviewed 5 landowner share projects and the following issues came to our attention on the 4 of them:

- Landowners pay with a personal check.
- Bank letters in the project files did not meet the requirement of a standard Bank Letter of Credit which guarantee's payment.
- Landowner payments were not deposited timely. Item A in exhibit on the following page.
- Project files do not provide supporting documentation as to the actual start date of the project to determine if landowner share payments are received as intended.

One of the five project files contained a bank letter which indicated the land owner has available funding on their Farm Line of credit. However, this letter did not guarantee the bank will make payment to the District upon project completion. The District's assigned County Attorney concluded the bank letter as written did not meet the requirement of a standard Bank Letter of Credit.

Although the project files did not provide a start date of a project, the files did contain signed contracts between the landowners and contractors as well as invoices. We prepared the illustration below to compare these dates to the date the landowners made their escrow payments.

Illustration of Significant Program Dates to Landowner Share Cash Match as of 12/31/19

Farm	Initial Estimated Share from Board Minutes	Contract Date	Landowner's Share Check Receipt Date	Landowner's Share Deposit Date	Difference Receipt vs. Deposit Date	Landowner's Share Amount	Contractor Invoice date	Contractor Payment Date	Landowner's share to Contractor	
Craig Richards	\$ 362,325	3/1/2019	Project file contained a bank letter which did not meet the standards of the Escrow Policy requirement of a Bank Letter of Credit. No payments were required for this project during 2019.							
John Lemondes	\$ 21,160	11/13/2019	A	11/8/2019	11/26/2019	18	\$ 24,829.05	11/25/2019	12/23/2019	\$ 13,208.42
Steve Loetterle	\$ 3,380	11/25/2019	A modification and cost increase in the amount of \$400 was known on 12/17/19. However the payment was not received until February 2020.							
John Becker	\$ 1,413	10/24/2019	A	10/24/2019	11/26/2019	33	\$ 1,412.50	10/31/2019	12/14/2019	\$ 1,412.50

A Untimely deposit of landowner check.

Relying on inappropriate bank letters and receiving land owner share funds after the start of the projects and not depositing checks timely has the potential to cause an adverse financial situation between the contractor, landowner and District.

Recommendation:

10. *We recommend District Management revisit their Landowner Escrow Policy to either request a certified check or adjust it to their current operating practices. Since the policy as written indicates landowner payments should be provided prior to implementation (start date), the project files should contain this date as a means to document adherence to this policy requirement and strengthen the audit trail. If this is not feasible, District Management should determine an alternative date, such as landowner/contractor contract signing date, to represent the due date of the landowner share.*
 11. *District Management should either only accept a true bank letter of credit or work with their County Attorney as to an appropriate alternative.*
 12. *Landowner share payments should be deposited promptly to ensure the validity of the check or at a minimum in accordance with the Districts policy, which states bi-weekly. We interpret this to mean deposits are made twice a week.*
- L. We noted unrelated postings in GL 2001 Due to Contractors and other minor entries totaling \$2,570.88. It is our understanding an adjusting entry was posted in 2020. Also, to maintain a correlation between the Due to Contractor account and the AEM Escrow Savings only entries which have a direct relationship to the two accounts should be posted to them.

Recommendation:

13. We recommend the Accountant 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.
14. We also recommend the Program Manager inform and work with the Accountant I as projects are modified and or completed to ensure the appropriate landowner share has been received, as well as to facilitate the reconciliation between the AEM Escrow bank account and GL 2001 Due to Contractors.
15. We recommend the Accountant I pay closer attention to the entries being posted to the Due to Contractor account and consider their effect in relation to the AEM Escrow Savings account.

Bank Deposits:

M. We noted five advanced funding checks were not deposited in a timely manner. Per our understanding of the controls in place, deposits should be made on a bi-weekly basis. The following is a summary comparison of the receipt date to the bank deposit date resulting in a number days it took to make the deposit.

Timeliness of Deposits		
# of Receipts	Amount	Days
3	164,196	20
1	81,089	25
1	94,353	57
<u>5</u>	<u>\$ 339,638</u>	

16. We recommended deposits are made in a timely manner according to the established internal control procedures. We further suggest the Board consider formalizing and adopting a cash management and revenue collection policy.

Section V

Status of Prior Year Findings

Accounts Receivable:

Emerald Ash Borer (EAB) Phase IV and Phase V

- A. We noted differences in the year end accounts receivable balances reported on the AR/DEF REV schedule as compared to their respective Quick Class Reports for the Emerald Ash Borer Phase IV & V.

We noted an adjustment was made to beginning Retained Earnings. However there were still differences between the Quick Class Report and the AR/Def Rev Schedule.

Timeliness and Follow-up of Claiming Reimbursement of District Expenses

- B. We noted the District needs to improve on the timeliness of their claiming of reimbursements for EAB phase IV & V expense.

The issue reoccurred during 2019.

Skaneateles Lake Watershed Agricultural Program (SLWAP)

- C. We noted the District under claimed for administrative expenses associated with the Skaneateles Lake Watershed Agricultural Program (SLWAP) to the City of Syracuse.

The issue reoccurred during 2019.

- D. We noted the District was two quarters behind in claiming of administrative expenses to the City of Syracuse incurred on behalf of SLWAP program.

The District was timely with claiming in 2019.

Deferred Revenue:

- E. We noted differences when comparing the deferred revenue book balance to the bank balance at 12/31/18. These differences indicate funds are not being transferred from a dedicated grant bank account into the District's accounts to reimburse District funds.

The issue reoccurred during 2019.

- F. We noted funds transferred out of dedicated bank accounts or the net of funds kept in the District's accounts was more than the actual grant expenses incurred. In other words, the District needs to move funds back into these respective grant bank accounts.

This issue did not present itself in 2019.

We also noted the funds transferred out of dedicated bank accounts or the net of funds kept in the District's accounts was less than the actual grant expenses. In other words, the District did not keep or transfer enough funds to cover the expenses incurred.

This issue did not present itself in 2019.

- G. We noted State funds when received as a single check were not transferred into respective dedicated bank accounts in a timely manner as stipulated by the grant funding agreements.

This issue did not present itself in 2019.

- H. We noted interest relating to the New York State Department of Agriculture and Markets accounts is inconsistently recognized as a liability and entered on their respective Quick Class Reports.

The issue reoccurred during 2019.

Landowners Escrow:

- I. We noted the following issues with landowner share projects:

- Landowners pay with a personal check.
- Bank letters in the project files did not meet the requirement of a standard Bank Letter of Credit which guarantee's payment.
- Landowner payments were not deposited timely.

These issues reoccurred during 2019.

- J. We noted the AEM bank account still has funds of \$7,195.46 which can be transferred to a District account.

CLEARED –A transfer was made as suggested.

- K. We noted unrelated postings to the GL 2001 Due to Contractor account and inconsistent depositing of escrow funds into the AEM Escrow Savings account.

This issue was not noted in 2019 and it is our understanding an adjusting journal entry was made during 2020.

Section VI

Management Response

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



Onondaga County Soil & Water Conservation District

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2019 Audit Responses

Section IV

General Ledger Balances Compared to the ART

1. The District is prepared to ask for an extension for the deadline of the ART submission to ensure the financial information submitted is reflective of the activity reported on the finalized general ledger.

Accounts Receivable

2. The Accountant I will make every effort to, on a quarterly basis, perform a reconciliation between the General Ledger Accounts Receivable and the AR/DEF REV schedule. At a minimum our goal will be to complete this reconciliation as of October.
3. The Accountant I will make necessary adjustments to Quick Class Reports and District Management will implement review procedures to ensure supporting detailed Quick Class Reports agree to the AR/DEF REV schedule. This is a matter of the AR/DEF schedule being up to date. Accountant I will do.
4. The District has assigned the new Administrative Assistant with the task of periodically comparing grant levels to expenditures to help avoid overspending grant awards.
5. The District has assigned the new Administrative Assistant with the task of assisting the Accountant I with the task of following up (monthly if possible) on unpaid invoices. The Accountant I will continue to provide the BOD with monthly updates.

Skaneateles Lake Watershed Agricultural Program (SLWAP)

6. This was the responsibility of the SLWAP Program Manager. It was an oversight on his part. Any funds requested for “encumbered” projects should be requested in the 1st quarter of the District’s fiscal year (Jan. 1 – Mar. 31). This will fall into the invoice for the City’s 4th quarter (Apr. 1 – June 30), which is the City’s fiscal year end. Multiple discussions have occurred with the City. Their fiscal year will not be changed. The District needs to do a better job of making sure when they request unspent funds in a given fiscal year. Efforts are underway to develop a matrix so that this does not happen again. The Accountant I is going to create a Journal Entry to address the unpaid funds from 2019.

Deferred Revenue

7. With the Administrative Assistant handling some fiscal duties, more time should be available for the Accountant I to ascertain proper amounts will be transferred to the District’s bank account that equals the amount of expenses paid through the District checking accounts.
8. The District is aware that interest earned on a grant belongs to the Grantor. Accordingly, the District maintains separate bank accounts for each grant. That system tracks interest earned and made it very simple to return the interest back to the Grantor once the grant is closed out. It is important to note that total interest for all grants is less than \$1,000.

AR/DEF Schedule Balance

9. With the staffing changes that the District has made related to fiscal management, more time should be available for the Accountant I to periodically update financial activity posted to the general ledger (GL) to the AR/DEF REV schedule, review and compare its balance to the GL on a quarterly basis or at a minimum done as of October, leaving three months of activity to reconcile for yearend.

Landowner Escrow

10. The District can use the landowner/contractor contract signing date to represent the due date of the landowner share. The District has had no issues receiving checks from the farm, certified checks, or business checks. The District will strive for weekly deposits of checks. Should there be any problems with said checks, the District will recognize the problem quickly and address it immediately.
11. The District has worked with the audit team in 2020 to understand and request a true bank letter of credit.

12. There is no reason that cash and checks should not be deposited on a weekly basis. This has been addressed with the District's fiscal staff.
13. The "Due to Contractors" account and the AEM Escrow Savings was discussed. They will balance going forward.
14. The District Program Manager has been made aware to inform and work with the Accountant I as projects are modified and/or completed to ensure that appropriate landowner share has been received. This will also help remind the Accountant I to facilitate the reconciliation between the AEM Escrow bank account and the GL 2001 Due to Contractors.
15. Addressed in item 14.

Bank Deposits

16. There is no reason that checks are not deposited on a weekly basis. This has been discussed with the Accountant I and Administrative Assistant.

Conclusion

- All these issues come down to time. There are many additional financial requirements that have been bestowed upon Districts in the last 10 years. (There used to be ~ 8 bank accounts and now there are ~ 46.) Unfortunately, the District has historically asked more of the Accountant I than can practically be accomplished in an 8-hour workday. We have not taken enough measures over the last 10 years to address this matter. Progress has been made but there is more work to do. Our District is prepared to add additional staff to help manage the fiscal requirements.
- A latest change is that the new Administrative Assistant has been tasked with supporting various financial duties in the organization.
- The District is also considering breaking the fiscal duties down further and hiring a part-time Clerk to be responsible for payroll/benefits.

It appears these changes listed above may be the only way to satisfy all fiscal responsibilities. Currently, the District is unsure how to fund these changes, but it appears to be a necessary requirement for the District to perform at the highest fiscal levels possible.

Section VII

Supplemental Unaudited Information

2019 Year in Review

2019 was a solid year for the Onondaga County Soil & Water Conservation District (District). We secured 72 % (13 of 18) grants we applied for. To be successful with the grants, the staff leveraged our sources of local, City, and County funding to multiply the amount of money received by grants, which enabled us to implement many more projects on the land to protect water quality. The District staff continue to be very good grant writers! Typically, for every \$1 the County invests in the District, the District leverages that funding to secure an additional \$6 worth of grant funding!

Competition amongst our contractors was healthy and our staff was able to implement conservation projects at costs reasonable with our average cost tables.

Staffing was relatively stable for the year except for the retirement of Maggie Connelly, our Administrative Assistant for 22 years. Her retirement was anticipated, and we were able to promote from within Eva Sztecmiler Brown into the position. Duties for the position were modified so that the Administrative Assistant position provides additional financial/accounting support to the Accounting office. Mrs. Brown will receive additional training so that there is continued duplication of duties in the event one of these key staff members is out of the office for an extended amount of time. Business should be able to continue as “normal”.

It is important to note that we have a relatively young staff and that ~30% of the staff members are new to the organization within the last two years. These staff members have required a lot of training and support as their collegiate backgrounds were not from agriculture or the hard science curriculums. But these folks have been eager to grow in their chosen careers and are performing very well! On-the-job training is our strong point!

Funding has been strong and steady allowing the District to maintain a fleet of late model vehicles for daily travel needs of the staff across the 6 major watersheds of the County.

The District has not taken on any new programmatic duties in 2019. The Executive Director is well aware that within the next five years the organization must continue to branch out and diversify their service portfolio. The District must continue to provide the necessary services and support to their constituents within the County and the Skaneateles Lake Watershed. There have been potential opportunities to diversify programming in 2019, but the options presented did not align with the mission and vision of the District.

Our Board of Directors for the District and the Watershed Agricultural Program Review Committee (WAPRC) for the City of Syracuse's Skaneateles Lake Watershed Agricultural Program (SLWAP) have remained very active. They have had to participate in meetings to address the issues and politics created by the fall 2017 Harmful Algal Bloom on Skaneateles Lake. District/SLWAP leadership have worked tirelessly to continue the organization's main deliverable of Agricultural Environmental Management while being contracted to help maintain the City of Syracuse's Filtration Avoidance Waiver with the NYS Health Department for the past 26 years. The goal is to make sure that valuable time and resources are not being taken away from the District/SLWAP's core mission of planning and implementing on-the-ground projects and practices that will help to protect water quality by keeping the soil on the land, the nutrients in the soil and ultimately the water clean.

The central location of our office continues to provide efficiency to our programming. From Liverpool, we can essentially be to any part of the County within one-half hour to conduct business.

The office is essentially run like a small environmental consulting firm. All decisions are made as business decisions and frequently the Forestry Supplier "Go-Kill" decision making matrix is used. This enables us to review a situation, decide and either "Go" forward and address the situation or "Kill" the idea and move on to the next situation waiting to be addressed. I.e. flexible autonomy to quickly make business decisions.

In summary, District leadership is very grateful for the service, support and dedication of their talented staff, District Board of Directors, and the SLWAP Watershed Agricultural Program Review Committee members.

2020 and Beyond

2020 will be a year to not be forgotten. COVID-19 sent ripples through our organization as we sent all staff to work from home on March 18 (and staff did not return to the office until early July). Staff did an exceptional job keeping all field programming going during these difficult times. The Executive Director and new Program Manager (Eric Renfer) worked closely with County government leaders to comply with ever changing regulations and requirements. Still, issues got resolved for constituents, conservation plans were developed, and conservation projects were implemented on the ground to protect water quality.

COVID came at a difficult time as 33-year staff member and Program Manager Douglas Fisher was to retire in March and new Program Manager Eric Renfer was to take over. Due to a host of circumstances, extensive training that was to be conducted by Mr. Fisher for Mr. Renfer was obviously not completed. I am proud of Mr. Fisher and Mr. Renfer for doing what they could to make the transition as smooth as possible. One example is

that the annual tree sale still occurred under Mr. Renfer's leadership. Staff delivered tree orders to resident's door yards, versus order pickup at the County Park, to implement necessary COVID-19 precautions. It was also a record year for miles of municipal road ditch hydroseeded!

The District made difficult decisions in the face of immediately decreasing budgets (to the Emerald Ash Borer program by 83%). District leadership decided to lay off one employee and not backfill the vacancy created in Mr. Renfer's former Resource Conservation Specialist position.

When hiring new employees, the District focuses in on the knowledge, skills, and abilities of new prospective employees. It has always been the goal, when possible, to hire staff new members that can work beyond the scope of what job duty/task they were hired for. Accordingly, leadership moved staff around within the organization to fill voids created by the layoff and vacancy created by the promotion. To date that plan has worked relatively well.

It appears that funding on the County level will be challenging in 2020 (County EAB program funding was originally expected to decrease anyway, but ended up going from \$750,000 to ~\$131,000 with the directive to continue to inject Ash trees of high function and values in County Parks and if grant funding is available, continue to plant non-Ash trees in County Parks.) The pre-emptive cutting program is on "Pause". Additionally, County Appropriations are likely to be reduced by 20% across the board.

2022 is likely to be the worst fiscal year for the District as funding from NYS is likely to be substantially reduced to help balance budgets for COVID related expenses. We should know by April 2021 how NYS funding will look. Currently, NYS has been slower to pay vouchers and make award determinations for grants. Implementation of agricultural Best Management Practices has also slowed down due to cash flow concerns of farmers during this pandemic.

Being centrally located in Liverpool has served the organization well as staff can get to any part of the County within one-half hour to serve constituent needs. And approximately half of the District workload is in the central part of the County.

Thankfully, the District still has very active Board of Directors and Watershed Agricultural Program Review Committee members (for the Skaneateles Lake Watershed) that give freely of their time to the business needs of the District.

The staff continue to be excellent grant writers (securing – of – grant applications in 2020 /we are still waiting on decisions from NYS). They are also very dedicated to the constituent needs and are focused on solutions. Keeping that in mind, it is with great honor that I lead this organization!