



COUNTY OF ONONDAGA

Office of the
County Comptroller

*John H. Mulroy Civic Center, 14th Floor
421 Montgomery Street
Syracuse, New York 13202-2998
(315) 435-2130 • Fax (315) 435-2250
www.ongov.net*

James V. Maturo
Deputy Comptroller/Accounting

Thomas R. Schepp II
Deputy Comptroller/Audit

Robert E. Antonacci II, CPA
Comptroller

October 23, 2018

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, 2017. 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.

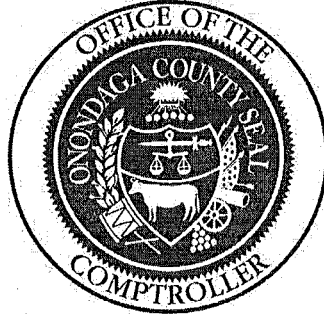
Our work included testing the accounting records and internal controls of the Onondaga County Soil and Water Conservation District which we deemed relevant to enable us to ensure the Treasurer's report is fairly presented. Our findings and recommendations are included in the enclosed report.

Also made part of this report are the District's 2017 Year in Review & 2017 Audit – Recommendations for the Future. 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.

Very truly yours

Robert E. Antonacci II, CPA
Onondaga County Comptroller



**Report on
Onondaga County Soil and Water Conservation District
Annual Report of the Treasurer for the year ended 12/31/2017
By Onondaga County Comptroller Robert E. Antonacci, CPA, Esq.**

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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, required 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, 2017.

Executive Summary

1. The Annual Report of the Treasurer (ART) was fairly presented in all material respects.
2. 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.
3. Bank deposits and interbank transfers are not made in a timely fashion.

Our high level recommendations to District management include:

- Dedicated bank accounts should be balanced to program activity at a minimum on an annual basis and appropriate cash transfers be made to ensure that 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 2017 the District has recognized approximately \$630,300 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 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 enable us 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>

On the following pages we have illustrated a comparative operating 2017 and 2016 balance sheet and schedule of revenues, expenditures and changes in fund balance. These statements are presented on the modified accrual basis of accounting. The 2017 statements are fairly presented as compared to the general ledger activity.

**ONONDAGA COUNTY SOIL AND WATER CONSERVATION DISTRICT
OPERATING FUND BALANCE SHEET
DECEMBER 31, 2017 AND 2016**

ASSETS	2017	2016	Dollar Change	Percentage Change
Cash	\$ 1,737,815	\$ 1,760,499	\$ (22,684)	-1%
Accounts Receivable	636,457	410,304	226,153	55%
Prepaid Expenses	3,581	2,247	1,334	59%
Total Assets	<u>\$ 2,377,853</u>	<u>\$ 2,173,050</u>		
LIABILITIES				
Accounts Payable	\$ 200,823	\$ 90,582	\$ 110,241	122%
Accrued Vacation	23,190	24,768	(1,578)	-6%
Accrued Payroll	1,335	8,848	(7,513)	-85%
Payroll Withholdings	8,639	5,082	3,557	70%
Due to Other Governments	364	-	364	100%
Deferred Revenue	721,119	666,275	54,844	8%
Total Liabilities	<u>\$ 955,470</u>	<u>\$ 795,555</u>		
Fund Balance				
Assigned Appropriated Fund Balance	<u>\$ 1,422,383</u>	<u>\$ 1,377,495</u>		
Total Liabilities and Fund Balance	<u>\$ 2,377,853</u>	<u>\$ 2,173,050</u>		

**ONONDAGA COUNTY SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016**

General Fund

<u>Revenues</u>	<u>2017</u>	<u>2016</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Grants from Local Governments	\$ 1,162,935	\$ 1,066,642	\$ 96,293	9%
State sources	610,094	411,218	198,876	48%
Pass-through Income	7,500	9,052	(1,552)	-17%
Hydro Seeding	20,877	28,937	(8,060)	-28%
Workshop Income	25,275	19,060	6,215	33%
Equipment Rental	6,136	10,489	(4,353)	-42%
Tree & Shrub Sales	13,858	13,741	117	1%
Miscellaneous sources	6,090	5,013	1,077	21%
Sale of Equipment	37,629	26,794	10,835	40%
Gifts & Donations	1,200	1,500	(300)	-20%
Interest income	733	771	(38)	-5%
Total Revenues	<u>\$ 1,892,327</u>	<u>\$ 1,593,217</u>	<u>\$ 299,110</u>	19%
Expenditures				
Contractual	\$ 1,012,133	\$ 640,732	\$ 371,401	58%
Personnel	531,981	505,735	26,246	5%
Employee Benefits	242,100	220,145	21,955	10%
Equipment	67,874	81,753	(13,879)	-17%
Total Expenditures	<u>\$ 1,854,088</u>	<u>\$ 1,448,365</u>	<u>\$ 405,723</u>	28%
Changes in fund balances	<u>\$ 38,239</u>	<u>\$ 144,852</u>		
Beginning Fund Balance	\$ 1,377,495	\$ 1,216,736		
Prior period Adjustment	<u>\$ 6,649</u>	<u>\$ 15,907</u>		
Adjusted beginning Fund Balance	<u>\$ 1,384,144</u>	<u>\$ 1,232,643</u>		
Ending Fund Balance	<u>\$ 1,422,383</u>	<u>\$ 1,377,495</u>		

Section IV

Findings and Recommendations

Cash:

- A. We noted in the 2016 report the District utilized two existing bank accounts with the prior grants' residual balance remaining in the accounts for EPF 21 Seneca and EPF 21 Onondaga. This is contrary to contract requirements, which indicate funding should be deposited into separate interest bearing accounts and said interest earned shall be used to offset costs at the final project close out. These two grants have not been adjusted to actual and still retain the funds in question.

Recommendation:

1. *We recommend these accounts be adjusted in the current year.*
- B. We noted bank deposits are not always made in a timely manner. Per our understanding of the controls in place, deposits should be made on a weekly basis. We reviewed all bank statements from their 17 bank accounts for large deposits for the months of July through December of 2017. From these bank deposits we selected high valued unique receipts and compared their receipt date to the bank deposit date and categorized them into the range of days below.

Timeliness of Deposit		
# of Receipts	Amount	Days
7	\$ 281,077	1 to 5
5	183,054	10 to 15
5	107,234	16 to 24
17	\$ 571,365	

Recommendation:

2. *We recommended deposits are made in a timely manner according to the established internal control procedures.*

Accounts Receivable:

- C. We noted claiming for administrative expenses to the City of Syracuse incurred on behalf of the Skaneateles Lake Watershed Agricultural Program (SLWAP) are not timely. Section 3

of the contract indicates the District shall receive an administrative fee in four (4) equal quarterly installments.

Illustrated below are the quarterly amounts due from the City and their actual invoiced date and their requested due date per City contract.

Skaneateles Lake Watershed Agricultural Program Administrative Services Due from City at 12/31/2017					
Quarter	Period	Amount	Invoice Date	Due by	Number of Days Past Due Date
2nd	4/1/17- 6/30/17	\$ 24,724.75	10/26/2017	7/31/2017	87
3rd	7/1/17- 9/30/17	26,012.75	7/19/2018	10/31/2017	261
4th	10/1/17- 12/31/17	26,012.75	8/2/2018	1/31/2018	183
		<u>\$ 76,750.25</u>		*	

*** Due date of invoice per City contract: Attachment B Billing Schedule**

Recommendation:

3. *We recommend procedures are implemented to ensure reimbursement claims comply with contract terms. The goal should be to only have the last quarter (10/31/xx to 12/31/xx) as the amount due from the City of Syracuse for the administrative fee.*

D. We noted differences in the accounts receivable balance between the amounts reported on the Annual Report of the Treasurer, the Accounts Receivable / Deferred Revenue Schedule and the Accounts Receivable General Ledger detail account #1200. It is our understanding the Accounts Receivable / Deferred Revenue Schedule is used as the main fiscal management tool which provides a total of funds received and spent along with any gains recognized per grant and is used as a means to monitor outstanding receivables. In order to be an effective source of information this schedule should agree with the balance per the General ledger account detail.

We noted based on a review and discussion with the Account Clerk III the system generated Accounts Receivable Aging report will not provide a detailed listing of outstanding invoices due to the current methodology of recording revenues and expenses for the preparation of the monthly financial reports. The Aging report has for example, accounts listed as "Accounts Receivable 2009" with a balance of \$368,337.94 and "Accounts Receivable 2014" with a balance of (\$425,984.28). These generic accounts are used to make monthly entries to the Accounts Receivable as well as when blanket adjustments are needed to clear out balances that were no longer viable. We noted of the 75 items listed on the aging

schedule only 8 balances actually agreed to the AR/DEF Rev Schedule. We have provided an excerpt of balances on the aging report to further illustrate this report in its current state cannot be used as a means for the administration to properly inquire about receivable balances.

As an example, of not having a true aging report we offer the following:

Onondaga County Office of the Environment's invoice #15670, dated 1/17/17 for \$8,124.57 was part of the total accounts receivable amount of \$158,724.57 reported on the AR/DEF schedule for the project designated per Quick Class report as "EAB PH IV" (Emerald Ash Borer)". This invoice was listed on the Quick Class report but not specifically identified as outstanding.

Note invoices dated in December 2017 reported on the same EAB PH IV quick class report received their payments totaling \$135,839.36 in January of 2018.

Based on our inquiries, invoice #15670 was eventually paid on August 24, 2018.

Illustrated on the following page are the differences between these records. The difference between the general ledger account and the Annual Report to the Treasurer is minor.

**Differences between the District's supporting schedules and the
Annual Report of the Treasurer**

<u>Accounts Receivable Balance per:</u>	<u>Amount</u>
Accounts Receivable / Deferred Revenue Schedule	\$ 598,903.49
Other Receivables classified as "non grant"	<u>5,257.28</u>
Total per AR/DEF schedule	<u>\$ 604,160.77</u>
Annual Report of the Treasurer	<u>\$ 636,456.54</u>
Difference	<u>\$ (32,295.77)</u>
General Ledger Detail (GL Acct. # 1200)	\$ 635,999.54
Total per AR/DEF schedule	<u>604,160.77</u>
Difference	<u>\$ 31,838.77</u>
General Ledger Detail (GL Acct. # 1200)	\$ 635,999.54
Annual Report of the Treasurer	<u>636,456.54</u>
Difference	<u>\$ (457.00)</u>

Illustrated on the following page is an excerpt of the December 31, 2017 Accounts Receivable Aging Report. This is simply presented to provide a visual and assist in our explanation of the accounting methodologies and the current state of this report and to provide credence to our recommended alternative.

Onondaga County Soil & Water Conservation District
A/R Aging Summary
As of December 31, 2017

Vendor	Current	1 - 30	31 - 60	61 - 90	> 90	TOTAL
Accounts receivable 2009	-	-	-	-	368,337.94	368,337.94
Accounts receivable 2011	-	-	-	-	106,300.96	106,300.96
Accounts Receivable 2012	-	-	-	-	427,330.77	427,330.77
Accounts Receivable 2014	-	-	-	-	(425,984.28)	(425,984.28)
Accounts Receivable 2015	-	-	-	-	36,436.32	36,436.32
Accounts Receivable 2016	-	-	-	-	(189,327.34)	(189,327.34)
Accounts Receivable 2017	(350,407.84)	(3,125.00)	60,869.05	46,968.46	402,040.18	156,344.85
Accounts Receivable for 12/31/07	-	-	-	-	373,586.74	373,586.74
Accounts receivable for 12/31/08	-	-	-	-	(393,910.59)	(393,910.59)
Accounts receivable for 2010	-	-	-	-	(1,040.59)	(1,040.59)
Accounts receivable for 2012	-	-	-	-	260,272.30	260,272.30
Accounts receivable for 2013	-	-	-	-	233,488.61	233,488.61
NYS AG & MARKETS	-	-	-	-	(58,279.22)	(58,279.22)
Onondaga Environmental Institute	-	-	-	-	(131,661.13)	(131,661.13)
SYRACUSE - CITY OF	-	-	-	-	(247,190.95)	(247,190.95)
US EPA	-	-	-	-	(164,259.77)	(164,259.77)

This is an excerpt of the actual aging report and illustrates the results of the current methodology of the processing of monthly entries and the residual balances both positive and negative remaining in the Accounts Receivable GL acct #1200 and ultimately reported on the Aging Report.

Recommendation:

4. *We recommend procedures are implemented to ensure the amount of the accounts receivable balance reported on the Accounts Receivable / Deferred Revenue Schedule agree to the general ledger account.*
5. *We recommend the Account Clerk III provide District administration with a manually prepared aged listing of all outstanding invoices and listing by project of total funds recorded as revenue but not yet formally invoiced. This report should agree to the total of the Accounts Receivable General Ledger detail account #1200. We suggest this report be generated at a minimum on a quarterly basis. Furthermore to ensure proper segregation of duties all adjustments or write offs of receivables should be reviewed and approved by the Director and or Board.*

Deferred Revenue:

The District receives some grant funds in advance from the New York State Department of Agriculture and Markets. Some grant agreements require these funds be deposited in dedicated bank accounts. The funds are recorded as deferred revenue and classified as a liability when received. Revenue is periodically recognized for each grant based on expenses incurred. 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 III maintains an Excel spreadsheet 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.

E. We noted differences when comparing the deferred revenue book balance to the bank balance at 12/31/17. These differences indicate funds are not being transferred from a dedicated grant bank account into the District's accounts to reimburse District funds. The deferred revenue account detail is illustrated below.

Grant Deferred Revenue vs Grant Bank balance analysis for year ending 12/31/2017										
	Def Revenue			Detail of Difference						
	Book Balance 12/31/17	Bank Balance 12/31/17	Difference Book vs. Bank	Interest	Due to District	Gain in acct	Def Rev booking error	Bal left in bank acct from prior grant	Total of reconciling Items	Immaterial Difference
STATE GRANTS										
EPF20 Onon	47,943.42	102,801.98	(54,858.56)	84.14	21,590.26	4,250.21	28,987.40	-	54,912.01	53.45
EPF20 Seneca	24,307.32	43,025.60	(18,718.28)	43.11	14,865.72	3,809.45	-	-	18,718.28	-
EPF21 Onon	31,121.67	43,878.20	(12,756.53)	39.00	8,802.82	3,900.51	-	14.20	12,756.53	-
EPF21 Seneca	107,890.02	113,076.52	(5,186.50)	113.19	3,116.08	1,070.66	-	886.58	5,186.51	0.01
EPF22 Onon	39,406.60	58,249.72	(18,843.12)	19.68	42,071.05	5,739.59	(28,987.40)	-	18,842.92	(0.20)
EPF22Carley	59,707.75	60,728.55	(1,020.80)	32.80	651.10	336.90	-	-	1,020.80	(0.00)
EPF22 Chitt/Frazee	90,707.79	95,499.44	(4,791.65)	55.88	3,510.41	1,225.67	-	-	4,791.96	0.31
EPF22 Upper T	32,087.41	41,881.31	(9,793.90)	19.91	7,181.80	2,592.20	-	-	9,793.91	0.01
	<u>433,171.98</u>	<u>559,141.32</u>	<u>(125,969.34)</u>	<u>407.71</u>	<u>101,789.24</u>	<u>22,925.19</u>	<u>-</u>	<u>900.78</u>	<u>126,022.92</u>	<u>53.58</u>
* Represents \$124,714.43 of funds which should be transferred to a District bank account.										

We also noted: the Quick Class reports for grants EPF20 Onon and EPF22 Onon tie to the AR/Deferred Revenue worksheet maintained by the Account Clerk III. However when comparing the deferred revenue balance for these grants to their respective bank balances at 12/31/2017 it was noted that a deposit was made and recorded to EPF22 Onon then later transferred to the EPF20 Onon bank account but an entry was not recorded to reflect this transfer on the Quick Class reports.

Gains from grants occur when payroll expenses are reimbursed at a New York State formulated rate that is greater than the actual expenditure. The gain should be recognized as revenue in the year in which the gain is determined via a journal entry and the related funds should be transferred to the District. In the chart above the \$124,714.43* identified as funds owed to the District contains \$22,925.19 in payroll gains.

Recommendations:

6. We recommend procedures are implemented to reconcile the book balance (Excel sheet), the Quick Class reports, and bank balances on a periodic basis or at least

annually at year end. Procedures should also be implemented to ensure funds are transferred in a timely manner from respective grant accounts to the District account.

7. *We recommend the District record the revenue of gains from grants in the fiscal year in which the gains are realized.*

During our review of Deferred Revenue we noted the District received additional funds from Onondaga County of \$75,000 - comprised of \$25,000 each for Covanta monitoring, sampling equipment, and engineering - for both 2016 and 2017.

- District management explained the Covanta monitoring was determined to be outside of the District's mission statement, and therefore the work will not be performed. In 2016 the \$25,000 was recorded as a payable to Onondaga County. In 2017 the amount received of \$25,000.04 should have been recorded similarly as a payable, however \$4,166.68 was recorded in error as revenue and \$20,833.36 was recorded as a payable.
- In 2016 the \$25,000.02 received for sampling equipment was recorded as revenue. Expenses incurred toward the project were \$2,161.53; the correct entry should have been \$2,161.53 recorded as revenue and \$22,839.49 as deferred revenue. The 2017 sampling equipment \$25,000 was treated correctly.
- In 2016 the \$25,000.02 received for engineering was recorded as revenue; only \$59.71 should have been recorded as revenue, and the balance, \$24,940.31 recorded as deferred revenue. The 2017 \$24,999.97 for engineering was correctly recorded between revenue and deferred revenue according to expenses incurred for the program.

Recommendations:

8. *We recommend District management work with the appropriate County representative to establish a plan to return the \$50,000 in Covanta monitoring funds, if in fact they will never be spent. Furthermore, we recommend a 2018 entry be made to establish an accurate payable amount.*
9. *We recommend appropriate 2018 entries be made to establish accurate deferred revenue balances for sampling equipment and engineering funds.*

Landowners Escrow Bank Account:

The District has an Agricultural Environmental Management (AEM) & Implementation Program Escrow Policy as revised and adopted October 2016 which requires the landowner's share of the cost of the project to be received by the District before the project is started. These funds are deposited in a special 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. Escrowed funds are deposited into the AEM bank account as well as the District's savings or checking accounts.

- F. We noted the AEM bank account still has funds of \$9,384.18 identified in the prior year audit as an amount that should have been transferred to a District account.

Recommendation:

- 10. We recommend District management seek approval from the Board of Director's to transfer prior year funds from the AEM bank account to an appropriate District account.*
- G. We noted an inadvertent posting in the amount of \$1,050.00 in GL #2001 Due to Contractors which should have been posted to Accounts Receivable. These funds were for a payment of invoice #15734 for hydro seeding services.

We also noted payments made to contractors in excess of their escrowed balance. One payment was an insignificant amount while the other was \$945.86 more than the escrow. These funds were for additional costs incurred due to project modifications and were deposited into the District's checking account the same day the project contractor was paid in January 2018. Based on the supporting documentation provided it appears the project was approved in November 2017. However it cannot be determined when the actual costs of these modifications were known to ascertain a date the landowner should have made the escrow payment to the District.

Furthermore, the journal entry posted on 12/31/17 improperly reduced the liability account (GL #2001 Due to Contractors) by \$945.86 as these funds were not deposited until 2018.

- 11. We recommend the District management consider posting all escrowed funds into the AEM bank account. It should also maintain a subsidiary ledger or detailed listing of projects not completed as a means to facilitate the determination of the escrow bank balance.*
- 12. We also recommend project management inform the Account Clerk III of all projects and subsequent modifications to ensure compliance with the District's escrow policy.*
- 13. We further recommend District management implement a review and approval process relating to withdrawals from the escrow bank account.*

Subsequent Disbursements:

- H. We performed testing to compare accrued liabilities from the period under audit with cash disbursements in the subsequent period. Testing involved reviewing invoices for payments above certain dollar thresholds, made from January through May 2018, to determine if the associated expenses were recognized in the appropriate accounting period. Two of 31

invoices (totaling \$8,434) reviewed represented 2017 expenses which were not properly accrued in 2017.

Recommendation:

14. *We recommend due care be taken at year end to ensure liabilities are identified and the expense accrued to the proper year.*

Status of Prior Year (2016) Findings:

Annual Report of the Treasurer

- A. The 2016 report was fairly presented. There was no finding/recommendation associated with the report.

Cash

- B. Existing bank accounts containing residual funds from prior closed out grants were utilized for new grant projects. In two of four cases, the residual funds were not transferred out of the bank account to the operating account as of the completion of 2017 audit work.

In 2017 new bank accounts were opened to accommodate new grants; existing bank accounts were not recycled for new funds. The residual funds have still not been transferred out in the two cases referenced in the 2016 audit.

- C. Bank deposits are not always made in a timely manner. Per our understanding of the controls in place, deposits should be made on a weekly basis.

In 2017 an analysis of bank deposits revealed deposits still are not consistently made in a timely fashion pursuant to established internal control procedures.

Accounts Receivable:

- D. Eight account receivable balances reported at year end 2016, totaling \$3,097, were determined to be uncollectable; seven of these were reported in the year end 2015 audit.

In 2017 the eight accounts receivable balances were written off.

- E. Twelve account receivable balances were omitted from the 2016 Annual Treasurer's Report.

This situation did not present itself in the current year.

Deferred Revenue

- F. There were large differences when comparing the deferred revenue book balance to the bank balance at 12/31/16. This indicates funds are not being transferred from a dedicated grant

bank account into the District's accounts to reimburse District funds, ensuring that the bank cash balance coincides with the amount recognized as deferred revenue.

Procedures have not been implemented to ensure funds are transferred in a timely manner from respective grant accounts to the District account.

The District has not been fully in compliance with the City SLWAP contract. The SLWAP contract includes the purchase and rental to farmers of farm conservation equipment. The contract states 'Any positive balance in the rental income line at the end of the Fiscal Year shall be used to reduce the total SWCD/City contract for the subsequent Fiscal Year.' A positive balance had accumulated since 2009 and with City approval the District used these funds to address SLWAP storm damage in 2017. It is our understanding the Director and City officials have had conversations regarding future positive balances.

We can only reemphasize the contract language be changed to reflect actual practice.

Landowners Escrow Bank Account:

G. The District maintains a separate bank account for landowners' escrow payments received in advance of project implementation and held until project completion. A reconciliation of the bank account and Landowner Escrow liability account at 12/31/16 determined the cash in the bank at 12/31/16, \$9,384.18, was attributed to excess cash from old projects already completed and resolved plus interest income earned over a number of years which were never transferred out to the operating account. The Due to Landowner liability at 12/31/16 was \$0; therefore, the bank balance should correspondingly have been \$0.

The excess cash in the Landowner Escrow bank account from prior years was not transferred out of the account during 2017 and remains in the 12/31/17 bank balance.

<p style="text-align: center;">Section V Management Response</p>
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The following two 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

OCSWCD Responses to 2017 Audit Findings and Recommendations

Cash.

- A.1 The recommendation is an easy fix and will be done immediately.
- B.2 The recommendation is an easy fix and has already been addressed.
- C.3 We can and will do better with this item. These invoices have been submitted and paid. The next one is due at 10/31/18.
- D.4 Aging report via QuickBooks does not work for us. We discussed aging reports at length with the audit team when they were in the office. Upon thorough discussion with the Account Clerk III (ACIII) the District will continue to use the process and procedure we have in place to produce the equivalent of an aging report as it produces the same results and the act is less time consuming for the ACIII to produce in this manner. But yes, the A/R and deferred will agree (with minor differences, possibly). The schedule will be reported on a timely basis to ensure this. Also, the ACIII can provide an aging report at each BOD meeting.
- D.5 OK will do.
- E.6 OK will do.
- E.7 OK will do. But for clarity, the district operates with multiple fiscal years:
- City of Syracuse July 1 to June 30
 - Onondaga County January 1 to November 30 (technically ends December 31 but County prefers all invoices in November)
 - NYS Dept. Ag & Markets May 1 to April 30
 - Federal Government October 1 to September 30
- E.8 Management is and will continue to work with County representatives to establish the plan to return the monitoring funds. The ACIII has established an accurate payable account and the Payables has been recorded accurately; we are waiting for direction on where to send these funds.
- E.9 The ACIII has made entries to establish deferred revenue balances for sampling equipment and engineering funds.
- F.10 The ACIII will discuss with BOD the transfer of the earned income in the prior year from AEM bank account to an appropriate account.

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- G. 11/12/13 The District has worked with the Program Manager, Implementation field staff, and the ACIII to address a bank account (not necessarily the AEM account) to better track land-owner escrow funding, to have better communication between Implementation staff and the ACIII about project changes, and to have a review/approval process relating to withdrawals from the Landowner Escrow account. This is completed.

The District would like to note that this was an issue with 2 out of 20 projects for the entire construction season.

- H.14 This recommendation relates to the organization's cover crop program. Staff has been repeatedly advised to adhere to this recommendation. With the audit team's assistance, the District modified its policy to better help the field staff to comply.

Status of Prior Year Findings.

- A. No comment.
- B. The District has 30-plus individual bank accounts per NYS policy for Environmental Protection Fund grants. It is unfortunate that two of the accounts did not have the full amount of the interest, which amounts to a minute amount of money, removed. The ACIII will do a better job next time.
- C. The District has made a change which enlists the services of the Administrative Assistant to assist with making timely bank account deposits. One change that is being considered for the future is that any future administrative assistants will be hired with a level of accounting background so that they can assist the ACIII with some duties and responsibilities as that office has an ever increasing/ever changing level of responsibility each year.
- D. We did this, as noted on page 15 of this report.
- E. No comment.
- F. We have already addressed this item. Please see description in "C" above. Regarding District compliance with the SLWAP account, District management met with City of Syracuse officials in 2017. The issue was discussed, and the City did not want to change the terms of the contract. District staff agrees with the City's position and the District has it in writing that District staff will discuss the rental income balance with City staff then determine where best to place those funds.
- G. The ACIII will transfer out the unclaimed Landowner Escrow balance to the appropriate bank account, with the BOD permission.

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Section VI

Supplemental Unaudited Information

2017 – Year In Review

The Onondaga County Soil and Water Conservation District (District) continues to be a very successful program. Our staff authored 17 grants in 2017 and 14 were funded. This brought an additional \$3 Million into the organization to implement Best Management Practices (BMPs) programs on the land to address non-point source pollution (NPS) and continue to improve water quality.

In 2017 it was another low year for farmers as many, especially dairy farmers, had little or no money to participate in BMP programs. Some farms were in “survival mode” as the economic downturn in the industry was the worst that some have ever seen. The down prices has been going on for four years and it has been due to an oversupply of milk and the lack of strong foreign markets. Even our crop farmers have been struggling, but not nearly as badly as the dairy farmers, nor for as long.

Starting in June of 2017 episodic rain events occurred between June and August in the southern half of the county. Pore spaces in soils were saturated and did not allow the soil to act as a sponge to adsorb any additional precipitation. Instead sediment and debris would run off over the land and end up in water courses and lakes. This resulted in big slugs of sediment and debris into many water courses. The precipitation that occurred during those three months was twice what was the annual average annual precipitation normally is for the months of June, July and August. The end result was more precipitation than the direct hit of Hurricane Agnes on the Lake in 1972. Then, in September, “perfect storm” conditions occurred (weather became hot, dry, direct sun light, and no wind) for weeks on end, this all resulted in the first documented Harmful Algal Bloom (HAB) on Skaneateles Lake.

Starting in October the District Executive Director, who is also the Program Manager for the Skaneateles Lake Watershed Agricultural Program (SLWAP) attended every speaking event he was requested to be at. He met with 1,400 people in 3 months to discuss what the City of Syracuse and the SLWAP has done over last 25 years with \$17.5 Million in conservation funding on the lake (\$12.5 Million came directly from City of Syracuse) and the voluntary participation by the farmers. It was interesting and exciting to reach that audience and hear “I did not know what the City was doing on the lake” but it was also equally interesting how quickly many people forgot those facts.

Both the District and the SLWAP have started to have higher turnover of staff again. As an organization, we really need to focus on how to get salaries (especially starting salaries) up in an organization that is so dependent upon soft money from grants. The situation is equally challenging as the jobs in our organization relies heavily on staff members that have a background, exposure, and knowledge of agricultural along with practical field experience of key skills like elevational surveying. The District BOD

realizes these challenges and are working hard to make sure that starting salaries and salary advancement are competitive in our industry. This matter will take time to resolve. Aside from lower starting salaries, the District has a very good health insurance plan. At the age of our recent graduates from college, health insurance does not seem to be much of an important factor when considering employment with the District. But, two staff members had to use their health insurance for significant medical events in their lives in 2017. Our insurance performed flawlessly. If we had not had such good insurance or more importantly if we had a high-deductible plan, it is likely that these employees' medical procedures could have bankrupted them.

We have a very strong and active Board of Directors for both the SLWAP and the District. They invest many hours attending meetings outside of the office, helping to strategize business decisions for the organization, and to support the organization when and where needed. It is a pleasure to work side-by-side with all of them on issues and opportunities as they come before our organization.

It is a very litigious world. We have gone from not being foiled at all for many years to being foiled at least once per year lately. Part of this may have to do with the fact that society is at least three, if not four, generations removed from their agricultural roots.

In 2017 we certainly learned the value of a good insurance agent and attorney when dealing with a picture used many years ago with our annual tree sale. There were issues and opportunities that came up to be addressed and the BOD and I had no idea that our insurance agent and the underwriter could be so involved and make such positive contributions towards a successful outcome on behalf of the District.

Overall 2017 was a very good year. It was full of its share of challenges and opportunities, but as a team, the District and SLWAP performance was stellar. Accordingly, we look forward to working together on all the challenges and opportunities that 2018 will bring.

2017 Audit – Recommendations for future

The greatest strength of the District is its employees. The organization works hard to select the right people for the job, even as this gets more difficult the further away society gets from a direct connection to agriculture. Our organization works hard to keep employees. To do our best job at keeping employees we strongly need to consider raising the starting salaries of new staff and the salaries of existing staff so that we are more competitive at hiring the best people for the job and keeping the best people on the job. Our goal is to have as stable a workforce as possible.

The District learned many years ago that we need to diversify our workload and funding streams for tomorrow to stay economically viable today. Our goal should not be to have all our "eggs in one basket" of work. Looking into the future the time is right to diversify our workload yet again. The Executive Director is not sure how much county funding will exist for projects for fee once the Emerald Ash Borer project ends (which is project to be completed years ahead of schedule). As the District learned in the past, projects and funding will ebb and flow and the District needs to be flexible and do the same.

One new program opportunity that looks like a particularly great fit for the District is the NYS Easement program to protect land around sensitive water courses. This funding ties into the Governor's Harmful Algal Bloom initiative. Funding for this program is similar to the Environmental Protection Fund and pays for staff time on the project as well as implementation of the project.

It is likely that the District may need to "right-size" in the future due to a projected reduction in workload volume, as it did back in 2010. If right-sizing is required, the District will make every effort to not backfill positions vacated by retirement or employee(s) moving on to new jobs.

When the Administrative Assistant retires the District should strongly consider replacing that position with somebody that has basic accounting/auditing experience. This will help absorb some of the extensive workload in the Account Clerk III position. Hiring an Account Clerk I or II / Admin Assistant should be considered. By hiring a more advanced position the District will need to be prepared to pay more and accordingly raise our hourly rates to be able to afford that position. (It may even be necessary to move the Account Clerk III position up to an Accountant I (or higher) position due to the ever-changing roles and responsibilities related to administering millions of dollars within the organization).

It will continue to be imperative to keep the District Board of Directors (BOD) in loop on all that is going on within the District. The more that the BOD knows, the better the decisions of the organization will be. The strength of the organization is behind a well-informed BOD making well-informed decisions.

In summary, the leadership of the organization needs to continue to work hard, stay focused and not get rattled by the outside "noise" from other groups or people. By working with our cooperators the District knows best what conservation practices are needed on the land. We need to continue to make good decisions, smart decisions, and ethical decisions!