



COUNTY OF ONONDAGA

Office of the
County Comptroller

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October 26, 2016

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

Gentlemen,

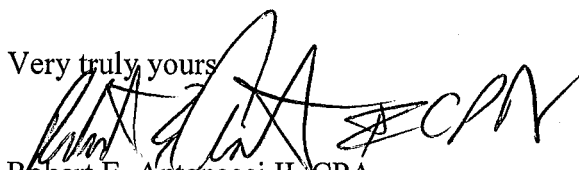
Pursuant to Resolution number 019-2016 of the Onondaga County Legislature, the Onondaga County Comptroller's Office performed an audit of the financial information presented in the Onondaga County Soil and Water Conservation District Annual Report of the Treasurer as of and for the year ended December 31, 2015. 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.

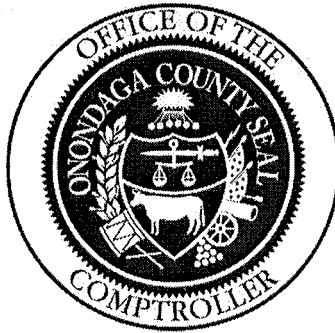
Our work included testing the accounting records and internal controls of the Onondaga County Soil and Water Conservation District which we deemed relevant to enable us to ensure the Treasurer's report is fairly presented. Our findings and recommendations are included in the enclosed report.

Also made part of this report are the District's 2015 Highlights and Economic Analysis. We have not audited the contents of this report. 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 12/31/2015
By Onondaga County Comptroller Robert E. Antonacci, CPA, Esq.**

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SECTION I

BACKGROUND AND EXECUTIVE SUMMARY

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 2015 the District has recognized approximately \$290,000 in funding from Onondaga County.

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.

The 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. As such, we have audited their Annual Report of the Treasurer for the year ended December 31, 2015.

Executive Summary of Findings and Recommendations

1. The Annual Report of the Treasurer (ART) did not report the correct beginning and ending fund balances which resulted in an overstatement of liabilities.
2. The Information of Certain Assets Worksheet omitted numerous items.
3. The Non-Current Governmental Schedules were not properly completed.

4. Untimely billing of operating expenses.
5. Reconciliations of advance funds and tree/plant sales to actual activity are not performed.
6. A formal Cover Crop program policy is lacking.
7. Improper cash handling practices relating to the Annual Tree Sales.
8. Improper recognition of revenue from Land owner escrow payments and Hydroseeding.

Our high level recommendations to District management include:

- Individuals responsible for the preparation of the ART become more familiar with the State reporting requirements and seek advice from their State representative when questions arise.
- Establish a routine for performing billing/reconciliations and review of the advance fund accounts to their respective detailed reports.
- District management should devise and implement a formal Cover Crop Program policy.
- Designating one individual to process cash transactions at the tree/plant sale event.
- Obtaining a better understanding of revenue recognition and the detailed reports which are used to generate the journal entries for posting into their financial system.

SECTION II SCOPE AND METHODOLOGY

Scope:

The objective of our audit is 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 the 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 control, sufficient to assess the risks of material misstatement of the Annual Report of the Treasurer.

In order to complete our objective we:

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

SECTION III FINDINGS AND RECOMMENDATIONS

Annual Report of the Treasurer:

- A. We noted the beginning and ending fund balances as reported on the 2014 and 2015 Annual Report of the Treasurer (ART) were not correct and could not be supported by the current year activity detailed in the 2015 general ledger accounts. We were informed the individual currently preparing the ART inherited an error in the fund balance, was unaware an adjustment could be made to the beginning fund balance and simply increased the amount of liabilities for balancing purposes. The 2015 beginning fund balance per the ART was \$777,825 and the ending fund balance was \$871,784. We increased these amounts by \$344,952 resulting in respective balances for 2015 of \$1,216,736 and \$1,664,673. This error caused the liabilities to be overstated on the 2014 and 2015 ART by \$340,277 and \$344,952, respectively. As noted in the illustrations no audit work has been performed on the 2014 ART.

On the following pages we have illustrated a comparative 2015 and 2014 balance sheet and schedule of revenues, expenditures and changes in fund balance. These statements are presented on the modified accrual basis of accounting. These statements have been adjusted to reflect the issue discussed above.

Recommendation:

1. *We recommend the individual preparing the ART obtain a better understanding of the State's reporting system. We also suggest their State representative be notified of the reporting issue and inquiries are made regarding the most appropriate course of action resulting from the reporting errors on the ART.*

**ONONDAGA COUNTY SOIL AND WATER CONSERVATION DISTRICT
OPERATING FUND BALANCE SHEET
DECEMBER 31, 2015 AND 2014**

<u>ASSETS</u>	2015	2014*	Dollar Change	Percentage Change
Cash	\$ 1,147,364	\$ 1,074,476	\$ 72,888	7%
Accounts Receivable	517,309	445,484	71,825	16%
Total Assets	<u>\$ 1,664,673</u>	<u>\$ 1,519,960</u>		
LIABILITIES				
Accounts Payable	\$ 6,252	\$ 1,880	\$ 4,372	233%
Accrued Vacation	25,579	26,173	(594)	-2%
Accrued Rent	5,000	-	5,000	100%
Accrued Payroll	6,727	5,510	1,217	22%
Payroll Withholdings	710	952	(242)	-25%
Deferred Revenue	403,669	362,668	41,001	11%
Total Liabilities	<u>\$ 447,937</u>	<u>\$ 397,183</u>		
Fund Balance				
Assigned Appropriated Fund Balance (X)	<u>\$ 1,216,736</u>	<u>\$ 1,122,777</u>		
Total Liabilities and Fund Balance	<u>\$ 1,664,673</u>	<u>\$ 1,519,960</u>		

* We did not audit 2014 activity.

(X) We adjusted these amounts to present general ledger balances which reflect the asset and liability activity presented in the 2015 Annual Report of the Treasurer.

**ONONDAGA COUNTY SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2015 And 2014**

General Fund

<u>Revenues</u>	<u>2015</u>	<u>2014*</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Grants from Local Governments	\$ 769,331	\$ 861,968	\$ (92,637)	-11%
State sources	412,161	810,622	(398,461)	-49%
Pass-through Income	240,511	56,824	183,687	323%
Construction Income	92,136	172,125	(79,989)	-46%
Federal sources	41,228	212,347	(171,119)	-81%
Hydroseeding	23,341	29,690	(6,349)	-21%
Workshop Income	15,982	11,477	4,505	39%
Equipment Rental	9,174	11,613	(2,439)	-21%
Tree & Shrub Sales	8,389	11,130	(2,741)	-25%
Miscellaneous sources	6,323	8,382	(2,059)	-25%
Sale of Equipment	4,525	4,610	(85)	-2%
Gifts & Donations	1,600	2,100	(500)	-24%
Interest income	734	802	(68)	-8%
Total Revenues	<u>\$ 1,625,435</u>	<u>\$ 2,193,690</u>	<u>\$ (77,157)</u>	-26%
Expenditures				
Contractual	\$ 779,264	\$ 1,399,216	\$ (619,952)	-44%
Personnel	492,539	495,831	(3,292)	-1%
Employee Benefits	228,844	233,245	(4,401)	-2%
Equipment	30,829	45,200	(14,371)	-32%
Total Expenditures	<u>\$ 1,531,476</u>	<u>\$ 2,173,492</u>	<u>\$ (22,064)</u>	-30%
Changes in fund balances	\$ 93,959	\$ 20,198		
Beginning Fund Balance (X)	<u>\$ 1,122,777</u>	<u>\$ 1,102,579</u>		
Ending Fund Balance (X)	<u>\$ 1,216,736</u>	<u>\$ 1,122,777</u>		

* We did not audit 2014 activity.

(X) We adjusted these amounts to present general ledger balances which reflect the asset and liability activity presented in the 2015 Annual Report of the Treasurer.

Capital Assets:

We requested the District obtain clarification regarding the proper completion of the "Information of Certain Assets Worksheet", which provides a listing of equipment and conservation supplies (not for sale). The response from the Soil & Water Conservation office in Albany indicated capital assets costing \$500 or more and used for conservation purposes are to be listed on the above schedule. We were informed the sole function of the organization and every activity performed by district employees is for conservation purposes.

We requested district personal to update their 2015 inventory listing for purchases and disposals for auditing and comparison purposes to the items reported on the Information of Certain Assets Worksheet as of December 31, 2015 of the Annual Report of the Treasurer.

- B. We noted the inventory listing reported on the 2015 ART omitted 39 items with a combined value of \$217,085.

Recommendation:

- 2. *We recommend District personnel obtain an understanding of the above form and the appropriate inventory items which should be reported. We also suggest their State representative is notified of the reporting issue and inquiries are made regarding the most appropriate course of action resulting from the reporting errors on the ART.*

Non-Current Governmental Schedules

- C. We noted the Non-Current Governmental Schedules on the 2015 Annual Report of the Treasurer were completed incorrectly. It is our understanding these were new schedules for 2015, and we were informed by District personnel that limited guidance was issued by the New York State Soil and Water Conservation Committee on form completion prior to the report due date. The individual responsible for form completion reached out to other districts for assistance prior to the filing of the 2015 Annual Report. It appears a good faith effort was made in attempting to complete these schedules. The purpose of the schedules is to account for capital assets of a government not accounted for in other funds, and certain unmatured general long-term liabilities of a government which are not recorded as a liability in another fund. The New York State & Local Retirement System's 'Governmental Accounting Standards Board Reports' is the source of data for completion of these schedules. After submission of the Annual Treasurer's Report, the OCSWCD staff person responsible for form completion obtained documentation that was presented at the 2016 Water Quality Symposium in March 2016 ('GASB 68 and Instructions from OSC on how to calculate amounts for Non-Current Governmental Schedules Page 8 of the Annual Treasurer's Report'). We reviewed this information and determined the schedules were not completed pursuant to these instructions.

Recommendation:

3. *We recommend the individual preparing the 'Non-Current Governmental Schedules' contact the State representative and make inquiries regarding the most appropriate course of action, if any, that may be necessary due to the reporting errors. We suggest in the future State representatives be contacted directly when questions arise in completing schedules on the ART.*

Board of Directors' Treasurer's Reports:

- D. We noted inconsistencies on the treasurer's report for three of the four months reviewed for 2015 in the budget to actual reporting on the 'Profit & Loss Budget vs. Actual' report submitted with the minutes at the monthly Board of Directors meetings. We noted the estimated revenues and appropriations are not in agreement with the 2015 adopted budget, or in balance with each other. We noted in the minutes of the February 25, 2015 meeting the 2015 actual budget does not balance. The 2015 adopted budget is correct in the March 25, 2015 minutes. In the August 26, 2015 minutes the 2015 Budget is out of balance by \$108,840; neither the estimated revenues nor appropriations agree to the approved budget. We noted in the December 16, 2015 minutes the net estimated revenues and appropriations were out of balance by \$568,248.

Recommendation:

4. *We recommend management review and approve the monthly Treasurer's report prior to its issuance and discussion at the monthly Board of Directors meetings. We also recommend before any changes to an adopted budget are made, for example, acceptance of a new grant, the Board of Directors approve its acceptance and agree to amend the budget.*

Petty Cash:

- E. The petty cash fund was reviewed on May 31, 2016. It included three receipts for which very minor amounts of sales tax had been reimbursed. We were informed there is no written petty cash policy.

Recommendation:

5. *We recommend a petty cash policy be established and presented to every petty cash user. The District should ensure users of petty cash are made aware of its tax-exempt status and provide respective employees with the appropriate tax-exempt form to avoid payment of sales tax in the future. We further suggest the policy address the issue of a petty cash receipt presented for reimbursement, which includes sales tax.*

Cash:

- F. We were unable to determine and verify who performs the actual bank reconciliations as a sign off of this important control procedure was lacking. Therefore we were unable to determine and verify if this individual is performing incompatible functions, which would allow them to conceal errors and irregularities while performing their normal course of duties, such as having the ability to issue cash disbursements and make changes in the financial system. We did note all reconciliations were signed off by the Executive Director indicating a management review was performed.

Recommendation:

6. *We recommend the individual responsible for preparing the bank reconciliations document this process by initialing and dating the reconciliations.*
- G. We noted several transactions listed as outstanding items on the December 31, 2015 District and SLWAP checking account bank reconciliations have not cleared the bank as of April 30, 2016. These items are presented in the illustration below:

Uncleared Transactions			
M&T District Checking Account			
Date	Description		Amount
12/31/2007	General Journal	Audit	\$ 0.38
4/25/2011	Paycheck	DD#0	0.01
10/7/2011	Paycheck	DD#2	0.01
11/7/2011	Paycheck	DD#2	0.01
3/7/2012	Check	10137	640.00
1/28/2013	Paycheck	DD#2	0.01
7/10/2013	Check	10786	118.00
4/7/2014	Paycheck	DD#7	0.01
5/5/2015	Check	11632	15.00
5/7/2015	Check	11639	60.00
Total			\$ 833.43
M&T SLWAP Checking Account			
Date	Description		Amount
12/31/2007	General Journal	Audit	\$ 54.86
3/3/2010	Check	5279	25.00
5/26/2010	Bill Pmt - Check	5338	25.00
7/10/2013	check	6124	59.00
Total			\$ 163.86

Recommendation:

7. *We recommend these items be reviewed and the appropriate measures be taken to clear them as outstanding. We further suggest policies and procedures be implemented to periodically review and adjust outstanding items in a timely manner.*
- H. We noted a minor difference in the district checking account's year end trial balance amount as compared to the amounts reported on the bank reconciliation and the ART.

Recommendation:

8. *We recommend once the reconciliations are completed an individual is assigned the responsibility of ensuring the balances reported on the bank reconciliations are in agreement with the trial balance amounts. Any differences should be reviewed and appropriately adjusted.*

Accounts Receivable:

- I. We noted six account receivable balances at year end 2015 totaling \$1,978 which had the same balance as the previous year, and another receivable balance was less than \$1.

We noted twelve other account receivable balances were omitted from the Annual Treasurer's Report, totaling approximately \$5,814. We were informed the balances of these receivables were determined after the February 15, 2015 due date of the report. The balance of approximately \$2,183 has not been collected as of August 5, 2016. This balance is comprised of \$1,678 in 2015 equipment rental income due from farmers, \$449 due from Oswego County Soil & Water from January 2014, and the Onondaga County Parks Department owes \$56 for services rendered in 2015. In regard to the rental income owed, it is our understanding it is the District's practice to invoice farmers after each use but allow future rentals to farmers with outstanding bills.

Recommendation:

9. *We recommend a determination be made as to collectability and appropriate measures taken to either pursue collection or adjust the account balances accordingly. All adjustments should be reviewed and approved by management. Controls should also be implemented to periodically review and document the status of outstanding receivables. We also suggest procedures are implemented to ensure all funds owed to the District are determined and assessed prior to the due date of the Annual Report of the Treasurer.*

We also, suggest the district revisit its equipment rental practice and require payment of invoices prior to equipment being loaned to farmers with outstanding bills. We suggest the board adopt a formal equipment rental policy.

- J. We noted the district is not timely with billing the Syracuse City Water Department for their quarterly operating expenses relating to the Skaneateles Lake Watershed Agricultural Program (SLWAP). This is detailed in the following illustration.

SLWAP Operating Invoices					
Invoice #	OCSWD Quarterly Invoice	Amount	Due Date	Invoice Date	Payment Received
#2	7/1/14 - 9/30/14	\$40,775.26	10/31/2014	3/12/2015	Apr-15
#3	10/1/2014 - 12/31/14	\$70,938.27	1/31/2015	6/9/2015	Jul-15
#4	1/1/15 - 3/31/15	\$35,533.94	4/30/2015	7/20/2015	Sep-15
#1	4/1/15 - 6/30/15	\$48,247.45	7/31/2015	9/3/2015	Oct-15

Recommendation:

10. *We recommend procedures are implemented to ensure timely billing of SLWAP operating expenses.*

- K. We noted funds are not being transferred from the SLWAP bank account to the OCSWCD's account in a timely manner. The City of Syracuse (City) has historically contracted for OCSWCD (District) services in the Skaneateles Lake watershed area. This contract required the City to advance funds to the District, to keep these funds segregated in a separate SLWAP bank account and to invoice the City Water Department on a quarterly basis. Contract language indicates surplus funds should not exceed \$80,000. Once invoiced, the District was to respectively transfer funds from the SLWAP account to the District's account. The advanced funds are considered deferred revenue. During a District audit for the year ended 2012 the balance of this deferred revenue account came into question and the City and the District agreed to a deferred revenue balance of \$135,598. The bank balance at the time was approximately \$140,000. We were informed by District personnel this difference represents rental income of SLWAP equipment. Per contract requirements this income must be deposited in the SLWAP bank account. As of 12/31/15 the District is showing a receivable balance of approximately \$9,300 for SLWAP operating activities and a SLWAP bank balance of about \$183,000. Based on the audit performed the receivable balance is reasonable.

Recommendation:

11. *We recommend the District implement procedures to ensure funds are transferred from the SLWAP account to the District operating account in a timely and routine manner. Based on our conversations it appears the level and magnitude of SLWAP operations is significantly different today as compared to its initial implementation in the late 1980's and 1990's. Therefore we respectfully request the two parties revisit the aspect of providing advanced funding and determine the feasibility of switching to a reimbursement basis.*

- L. We noted SLWAP equipment rental activity is recorded on the same Quick Class report (ledger) as SLWAP operating. It is our understanding these activities are independent of one another.

Recommendation:

12. *We suggest consideration be given to recording the SLWAP equipment rental activity on its own Quick Class report. This will facilitate determination of any profits generated from SLWAP equipment rentals and also in the preparation of the SLWAP operating quarterly invoices.*

Procurement and Disbursement:

- M. We noted a payment to the Skaneateles United Methodist Church for a District sponsored meeting was documented with a church flier with a handwritten note indicating an hourly rate of \$20.

Recommendation:

13. *We recommend a more official form of documentation, such as, a signed letter from the pastor or fiscal person at the church, indicating the date, length of the meeting and rate per hour is provided prior to issuing payment.*

- N. We noted a few instances in which the Executive Director did not initial and/or designate a class account and chart code on invoices. This is contrary to the established procedures as detailed in the Cash Disbursement narrative which was reviewed and approved by District management. A few examples of these items are cell phone reimbursements made to employees who have opted out of a district provided phone, allocation of the employer portion of dental expense and a resubmitted training invoice with updated charges.

Recommendation:

14. *We recommend, to maintain the integrity of the established internal controls and ensure proper allocation of expenses, the Executive Director initial all invoices and designate a class account and chart code on all invoices.*

Credit Card:

- O. The District Board of Directors adopted a new credit card use policy on August 26, 2015. The policy states that the “Executive Director shall review and approve the request for a purchase and provide approval by signing and dating the Request for Purchase Form.” District staff indicated that this form has not yet been created and implemented. Pre-approval is accomplished via a verbal request from the Executive Director. The Executive Director does review and sign off on all purchases monthly after the Account Clerk II matches submitted receipts to the statements.

Recommendation:

15. *We recommend the process as stated in the adopted policy be followed, or, the policy be adjusted as necessary (with appropriate board approval) to match the current procedures in practice.*
- P. We noted two instances while testing credit card transactions for the months of May, October and December 2015 in which a handwritten accounting of the purchase was attached in lieu of an actual receipt from the vendor. Per the adopted credit card policy, cardholders are required to “obtain a hard copy receipt from the vendor each time the District credit card is used.” Per the Cardholder Agreement, “if the receipt is lost and cannot be replaced by the vendor” the cardholder “will be responsible for obtaining a copy of the receipt from M&T Bank.”

Recommendation:

16. *We recommend District management reiterate the credit card policy to the cardholders and follow the adopted policy.*

1099 Policy:

- Q. The District issues 1099 Miscellaneous forms to landowners who receive directly or have had paid to a contractor on their behalf \$600 or more in Best Management Practices funding. Board members are also designated as 1099 reportable and a 1099 Misc. would be issued to them if they received on an annual basis \$600 or more in board meeting compensation. There is no policy in place to collect IRS W-9 “Request for Taxpayer Identification Number and Certification” forms from vendors.

Recommendation:

17. *We recommended District management obtain a full understanding of IRS-1099 filings to ensure compliance with the Internal Revenue Service requirements. At a minimum it should ensure an IRS Form W-9 is requested from each vendor prior to payment to ensure proper 1099 filings.*

Landowners Escrow:

The District has an Agricultural Environmental Management (AEM) Escrow policy which requires the landowner's share of the cost of the project to be received by the District before the project is started. This policy pertains to projects classified as AEM only. 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. We noted the District was in compliance with their policy for the AEM projects specifically selected and tested for this audit.

- R. We noted amounts transferred out of the AEM escrow account do not equal the amount of the farmers' deposited funds, respective of their project. We were unable to agree the 12/31/15 AEM escrow bank balance to a detailed listing of farmers' deposits and their respective projects. Due to the nature of this bank account the balance of funds should be equal to any projects for which the contractor has not been paid.

Recommendation:

18. We recommend the District reconcile and adjust this account and maintain a subsidiary ledger or detailed listing of which projects have not been completed. The balance of funds on this listing should agree to the bank account.

- S. We noted the accounting treatment of landowner escrow deposits inappropriately recognizes a revenue and expense instead of a liability. In essence, the district is holding the landowner's share of the project cost in trust, and when the project is complete the contractor is paid. The District has only incurred an expense for their respective share of the project, not the landowner's share.

Recommendation:

19. We have discussed this issue with District management and they have agreed to change the accounting treatment and recognize the landowner's share as a liability to the District until the contractor is paid, not a revenue and expense of the District. We have provided the District with the following proposed entries to properly account for escrow payments:

To record the liability:

CASH	XXXX.XX
LANDOWNER ESCROW PAYMENTS	XXXX.XX
To record the payment received in advance from landowner	

To record the contractor bill and relieve escrow liability:

CONTRACTUAL EXPENSE (total bill less landowner share)	XXXX.XX
LANDOWNER ESCROW PAYMENTS (amt. of landowner share)	XXXX.XX
ACCOUNTS PAYABLE	XXXX.XX
To record District expense and relieve landowner escrow	

Payment to contractor:

ACCOUNTS PAYABLE

XXXX.XX

CASH

XXXX.XX

To record payment to contractor

- T. We noted the District is involved in other types of projects where a landowner's share of the project's cost is required, however the landowner's share is being collected after the project is completed. The four "other" projects, which came to our attention, required a landowner share of \$64,080.

Recommendation:

20. *We suggested District management consider expanding their escrow policy to include all types of projects which require a landowner's share of costs. This will reduce the risk to the District if the landowner encounters an economic loss and is unable to pay their share at time of completion.*

Deferred Revenue:

The District receives some grant funds in advance from the New York State Department of Agriculture and Markets. Some of these grants require these funds to be deposited in separate bank accounts. These 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 II maintains an Excel spreadsheet which summarizes the cash receipts and expenses respective of all of 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. Note some advance funds do not require separate bank accounts and are deposited in the District wide savings account.

- U. We noted minor differences when comparing the deferred revenue book balance per the excel spreadsheet to the Quick class reports and larger differences when comparing the deferred revenue book balance to the bank balance at 12/31/15. The latter indicates funds are not being transferred from a distinctive grant bank account into the district's accounts to reimburse District funds. This is illustrated in the presentation on the following page.

ONONDAGA COUNTY SOIL & WATER CONSERVATION DISTRICT
Grant Deferred Revenue vs Grant Bank Balance Comparison
As of 12/31/2015

	Deferred Book Balance 12/31/15	Deferred Balance Per Quick Class Report	Difference	Balance per 12/31/15 Bank Statement	Difference Book vs. Bank
1 EPF18 Skan	\$ 39,503.23	\$ 39,505.85	\$ (2.62)	\$ 39,518.43	\$ (15.20)
2 EPF19 Onondaga	64,406.53	64,406.53	-	82,045.49	(17,638.96)
3 EPF20 Onondaga	58,571.15	58,571.15	-	66,062.13	(7,490.98)
4 EPF20 Seneca	27,309.32	27,345.46	(36.14)	43,994.99	(16,685.67)
5 Ag Cnc Grnt	11,213.80	11,213.80	-	N/A	N/A
6 Ag Cnc Rnd20	20,500.00	20,500.00	-	N/A	N/A
7 City Funds	162,271.23	162,280.13	(8.90)	156,079.46	6,191.77
	<u>\$ 383,775.26</u>	<u>\$ 383,822.92</u>	<u>\$ (47.66)</u>		<u>\$(35,639.04) *</u>

* Represents funds expended by the District but not transferred to their account to cover disbursements.

N/A = Funds not required to be deposited into a specific individual bank account.

Recommendation:

21. *We recommend procedures are implemented to reconcile the book balance (Excel sheet), the Quick Class reports and bank balances on a periodic basis or a 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's.*

Revenue Recognition:

The District utilizes each grant's respective Quick Class report to account for deposits, invoices and payroll related costs. The activity on these reports forms the basis of recognizing revenue, determining accounts receivable and deferred revenue balances, and preparing the necessary journal entries for posting.

- V. We noted it does not appear a management review and approval of the Quick Class reports supporting these entries is performed as documentation to attest to this process could not be provided.

Recommendation:

22. *We recommend procedures are implemented for management to review and document this revenue recognition process, such as initialing the respective Quick Class reports.*

- W. We noted the District is recognizing interest income on advanced funds whereby the grant agreement indicates interest shall be returned upon completion of the projects, thus representing a liability.

Recommendation:

23. *We recommend District management implement procedures to properly account for this interest as a liability instead of interest income.*

Cover Crops:

The District's cover crop program provides partial reimbursement to eligible owners/producers at an established \$15 per acre reimbursement rate for the 2015-2016 grant period. The farmer is responsible for the remaining cost. Cover crops are planted in the fall to generate various benefits to the soil throughout the winter months, e.g., prevention of soil erosion, release of nutrients back into the ground and improvement of soil health, to name a few. The District is responsible for inspecting fields to ensure cover crop success (germination as well as sufficient biomass/cover) prior to the plants' dormancy for the winter months. Payment is authorized after success has been established by District staff and the owners/producers submit documentation of seed costs incurred.

- X. We noted \$20,147 in cover crop payments were made to owners/producers in 2016 for 2015 fall plantings, however the documentation provided did not clearly indicate when the actual inspection occurred, and in two cases a paid receipt for the cost of the crops was not submitted. If crops are not inspected during the fall growing period, the possibility exists that the crops were not at the necessary growth level throughout the winter to achieve the desired goals. The documentation provided did include photographs and analysis of crop growth. However we were unable to determine when inspections actually occurred. Therefore, we were unable to determine if \$20,147 in payments were justifiable as inspections should occur prior to the onset of winter and be supported with an invoice of seed costs. We also noted cover crop payments are not properly accrued at year end, as the expense was not recognized in the year of planting.

Recommendation:

24. *We recommend specific guidelines for the monitoring, payment and accounting procedures relating to cover crops are devised. Crop inspection may want to be considered a priority prior to year end in order to determine whether payment can be authorized. A liability should be set up if it is determined payment is due, and payment is not made by year end. Any exceptions to the policy should be documented as to reason. The producer/owner should supply a paid receipt for seed purchase. We have discussed the above issue with management and it is our understanding cover crop program guidelines were developed and approved by the Board of Directors in June 2016.*

Annual Tree Sale:

The OCSWCD has an annual tree and shrub sale that allows businesses and residents to affordably purchase trees. Most orders are placed and paid for in advance. The supplier requires orders in increments of fifty, so there are trees/shrubs ordered in excess of the preorders. The tree/plant distribution and sale is held around the end of April. Excess items are available for purchase on the day of the distribution. Multiple District staff work the distribution and sale. A cash box with \$200 in change is on hand for cash purchases. Left over items are sold on the day of distribution at full sales price. Payment can be made with cash, check or credit card. After the day of the sale any leftover plant items can be purchased at a discounted rate. There is no formula for rate of discount. Approximately a week or two after the sale, leftover items are given to whoever wants them, including employees. Any remaining trees or plants which are no longer viable are discarded.

Other items for sale are bluebird and bat houses, bags of compost, fertilizer tablets and marking flags. Unsold items are returned to stock after the sale to be used for subsequent sales or used for District operations.

Based on our review of the documentation provided to us of the initial preorders and understanding of the supplier's ordering requirements, nothing came to our attention which would indicate excess trees/plants were purchased.

- Y. We noted inadequate segregation of duties over the cash handling function for this event. District employees complete the customer's order, distribute the items, receive payment (make change, if necessary) and issue a receipt. This represents a weakness in internal controls, as it places the employee in a position to conceal errors or irregularities while performing these duties. For example, an individual could receive cash, fail to write a receipt and not place the cash in the cashbox. We also were informed individuals who have been processing and accessing the cash box also perform its balancing and reconciliation.

Recommendation:

25. *We recommend procedures are implemented to properly segregate the functions of cash handling and cash box reconciliation from the order and plant distribution function. Ideally only one individual should have access to the cash box.*
- Z. We noted a final reconciliation or accounting is not completed for the total tree order to the final disposition (sold/given away/discarded) of the plants and for the other items sold during this event which are returned to stock.

Recommendation:

26. *We recommend a policy be established and approved by the Board to account for the items remaining after the annual tree sale. There should be a set procedure for any discount rates offered and for disposal of any remaining inventory. We also recommend a final accounting be completed to reconcile the receipts and inventory of*

tree/plant/other orders to ensure the accuracy of revenues received and expenditures incurred and to account for all items purchased and disbursed as well as loss. Any discrepancies should be promptly investigated and resolved.

We recommend all inventory purchased for the sale be accounted for and inventoried. If items are pulled from stock for the day of the sale, reconciliation should be completed when excess is returned to inventory to ensure the sales receipts for the day agree to the number of items not returned to stock.

Finally, to avoid any perceived impression of impropriety the practice of allowing employees to take trees/plants two weeks after the sale should be discontinued.

Hydroseeding:

The District provides hydroseeding services to various towns/municipalities as well as for various farm projects throughout the year. The fee for these services is based on a per acre amount as per the grant application. The basis for the charge is salary/fringe for staff providing the service, actual seed/hydro mulch cost, mileage, and various equipment charges. The individual supervising this operation is responsible for preparing the billing invoice and submitting it for posting into the financial system.

AA. We noted the current fiscal procedures of recording District costs and its subsequent compilation of said costs into and from the Quick Class reports to generate revenue recognition journal entries along with the posting of the hydroseeding billing invoice have inadvertently resulted in a double booking of expense and revenue. There were five instances totaling \$3,358, which came to our attention.

Recommendation:

27. We recommend District personnel implement procedures to ensure hydroseeding revenue and associated expenses are recorded only once.

Highlights 2015

The staff of the Onondaga County Soil and Water Conservation District (District) have continued to have strong success in securing the grants necessary to sustain the work of the District. Onondaga County SWCD staff authored 13 grants to local, State, and Federal sources totaling \$1,139,824. Our staff secured 10 of these grants securing \$1,098,100 in conservation funding for local projects!

In 2015 the District staff were awarded 3 out of the 5 NYS Environmental Protection Fund Round 21 grants that were applied for. The \$644,371 in funding provided by the grants will enable the staff to implement 56 projects on 10 farms. The \$14,100 in match funding (cash basis) provided by the Onondaga County Ag Council also helped the District to secure these grants by not only helping to pay for the staff time to author the grants, but to provide local "match" funds to demonstrate local support for the grant application to Albany. With some of the extensive application and administration requirements of the some of the grants available, the District should choose to apply for grants that require only a reasonable amount of management and oversight. If they do not, some of these grants may cost the District as much money to administer them as they are receiving to implement the project(s).

The District Hydroseeding program will continue through 2018 thanks to another NYS DEC grant secured by District staff member Jeremiah Eaton. This \$198,002 grant will enable the District to continue to provide revegetation services on municipal projects with disturbed soil (especially road ditch cleaning projects). This seeding service is one way the District helps municipalities maintain compliance with the NYS DEC erosion and sediment control standards as well as the Total Maximum Daily Load (TMDL) requirements in the Onondaga Lake watershed and the Chesapeake Bay Watershed existing within Onondaga County. This grant will enable the District to purchase a new hydroseeder; the 2008 unit will be able to be sold outright and the funds generated can be utilized in the District budget, where needed (possibly for the construction of a pole barn to house our equipment).

For the first time ever the District submitted two farmland protection applications (FLP) (sale of development rights) to NYS Department of Agriculture and Markets (NYS DAM). On this project the District acted as the sponsor and job shadowed a person with extensive experience whom authored the grant applications. Unfortunately, these two applications were not awarded a contract and funding by NYS. If the District is to do this work again in the future, the District must make sure that it receives compensation and support from Onondaga County. Embarking upon this type of work requires a lot of dedicated staff time and will require sufficient cash to support a stewardship and enforcement fund, both of which the District does not currently have. And, what funding and staffing the District does have is currently committed to a variety of other water

quality improvement projects in Onondaga County. Additionally, the District would benefit from the creation of a new half-time or full-time position on our roster as every employee's plate is "full". At this time and in order to undertake FLP, somebody on the staff has to drop the project(s) that they are currently working on to complete this new deliverable. The District staff that worked on this project participated in a debriefing with the NYS DAM FLP Program Manager and by doing so increased their knowledge, skills, and abilities for use on any future FLP grant applications.

It has been continually demonstrated that the move of the District into County space 5 years ago was one of the best decisions ever made by the District. This move continues to open up entirely new opportunities for the District to provide service and support to the County. In 2015 the District began stormwater inspections of the County's new Amphitheater. This project will provide continued opportunities for the District to grow in its relationship (and funding support) from the County.

A District staff member also secured a \$6,000 grant through the Finger Lakes – Partnership for Regional Invasive Species Management (PRISM). This grant enabled the District to inject an additional 47 ash trees (1,000 diameter inches) to help preserve the high functions and values that the trees were providing in Onondaga Lake Park. These high functions and values included: shoreline stabilization, stormwater management and retention, shade for picnickers, and aesthetics in and around the picnic areas.

Continuously, the work that is accomplished with grant funding is accomplished through the strength of the District staff. Our District has a tremendous staff that is very capable of many tasks due to the breadth of the knowledge, skills, and abilities that staff bring through the door each day when they arrive for work. Retention of this staff has been a key factor to the District's success. But, in 2015 the Skaneateles Lake Watershed Program (one of the many programs managed under the District umbrella) lost a key, long-term staff member as this person left the program for a position with the NYS Department of Agriculture and Markets to oversee 18 soil and water conservation districts with NYS. To move forward, the District will rely on its existing employees and leadership to help secure, train, direct, and guide the new employee through the learning process so that they can build the knowledge, skills, and abilities needed to be successful on the job each and every day.

The District personnel manual was updated in the spring of 2015. This task was last performed in January 2003.

The District's first-ever Credit Card use policy was developed in August of 2015. After a few months of use, a few minor changes will need to be made.

To help expose the all staff and District BOD members to all aspects of District work, the District continued to hold a few of their summer BOD meetings off site. This enables all

participants the chance to learn more about the locations of select farms in our county, the type of operation they are, and how they are managed for success as they integrate with our District programing. The District should continue this successful practice into the future.

In Onondaga County, our District continues to have a very active Board of Directors that freely and willing attend many of the NYS Soil and Water Conservation Committees meetings around NYS. This enables our District Directors to be exposed to the many events of the soil and water world across the State and north east region. Thank you to entire staff and Board of Directors for their continued dedication and commitment to the Onondaga County SWCD.

Economic Analysis – 2015

The economic condition of the District continues to be strong and very stable. This has been due to the organization making good, sound decisions. These decisions have been supported by data from the past. As an organization we have embarked upon new opportunities and have taken calculated risks with new projects.

The District has been and continues to be blessed with excellent staff. When a key staff member has left, the District has worked through the appropriate Civil Service process and has taken the time necessary to perform their due diligence when selecting a replacement candidate. Under the current leadership, the District has not just been looking for new employees that can do the job, we have been carefully chosen people that fit the culture of our office environment. This includes looking for folks that “fit” with our diverse customer base, work ethics, etc.

Our District staff continue to do an excellent job authoring grants. At the end of 2015 this has allowed us to make plans to replace our 8 year old hydroseeder with DEC grant funds that was secured. New money and equipment has helped to keep our organization strong and reliable. Funding provided by the Onondaga County Agricultural Council has enabled District staff time expenses to be paid to author grant applications to the NYS Environmental Protection Fund as well as have a demonstrated “local match” support towards the costs of the projects. This strategy has been successful as the district secured 3 of the 5 grants that they applied for in this time of enhanced competition amongst the 42 Soil and Water Conservation Districts that submitted 99 applications for the funding.

Many projects that we have taken on for the County continue to grow in size and scope. For instance the District started training for and then performing stormwater inspections at the new County Amphitheater. The Ash tree project also has continued to have a strong, demanding work load that includes the development of tree planting planning.

Even with this consistent workload, the District will need to begin looking to the future again. We know that there is about eight years remaining for the Ash tree project workload (cutting, planting, and injections). It will be wise for the District to start planning for that next change and securing new major project(s)/workload(s) so that there is not a void in the funding stream as happened when the Congressman Walsh funds dried up in 2008. We are not sure what those project(s) will be. At this time it appears that there could be strong funding and demand for concerted efforts that address aquatic invasive species management. Other Districts have also made stream bed/bank stabilization projects a major part of their project portfolio but our District has historically struggled to secure grants and local match funds to support this work.

This District is fortunate that their relationship with the City of Syracuse has remained strong. This is demonstrated by the continued financial commitment by the City of Syracuse to the Skaneateles Lake Watershed Agricultural Program. Although this program is in a “maintenance phase” there have been many new opportunities for future (Shotwell Brook erosion and sediment control project, cover crop interseeder, etc.).

The District has done a great job of making “business friendships” by strongly supporting other county organizations such as County Parks, Emergency Management, Office of the Environment, and Water Environment Protection. These relationships will only help to secure a strong future for the District. Outside agencies such as Onondaga Environmental Institute and CNY Regional Planning and Development Board are also frequently calling upon the District to partner on small stream or stormwater management projects. This helps to maintain a steady and consistent workload throughout the year while maintaining cash flow.

For the future the District needs to continue to make strong decisions that are supported by data. These decisions should continue to have the full support of the Board of Directors. We need to be watchful for pitfalls such as “one and done” funding sources that might infuse a lot of funds to the organization, but will not support a new staff position past the one year mark. In those instances it may be best for the district to focus those funds on special projects that we struggle to secure funding for, such as stream bed/bank stabilization.

The District should also be careful of undertaking large projects with an extremely steep learning curve where we have to rely on other folks to teach/train/mentor us, where there is no dedicated funding source to support the work, and where the work does not support the Mission and Vision of the organization. Any projects with long-term liability commitments may not be good for the District far into the future (such as holding conservation easements). We need to think not only about our organization today, but what future encumbrances we place on the BOD and staff 50 and 100 years out from now.

Overall the District staff and BOD has done a good job in the year to make collective decisions. Together, we will continue to work hard to secure the financial resources to address our constituent’s environmental concerns that align with our organizations Mission and Vision.

Audit Report Responses - 2015

The Onondaga County Soil & Water Conservation District (District) conformed to the annual audit standard set forth in NYS Soil & Water Conservation District Law, Chapter 9-B of Consolidated Laws, section 8. It was good that the Onondaga County Comptroller's Office recommend auditing the 2015 Annual Report to New York State Soil & Water Conservation Committee (SWCC) as this report has never been audited to the knowledge of the District's Executive Director. The District is pleased that the audit was thorough and comprehensive.

Below is a formal response by the District's Executive Director and Account Clerk to the findings represented in the Comptroller's Audit report.

- A. Annual Report of the Treasurer. The District's Director and Account Clerk II have been aware of the inherited error on the Fund Balance provided by the previous Account Clerk but have been unaware on how to address it. With the help and support from the Comptroller's Office the District has worked with the appropriate people in Albany at the SWCC to correct this matter. The 2016 report will include the correction and the correct deferred revenue for the current years report.
- B. Capital Assets. We agree with Comptroller's Office that it is best to report all assets that the District uses to engage in conservation projects in future report and will start doing so with the 2016 annual report.
- C. Non-Current Governmental Schedules. As reported by the Comptroller's Office, the Districts Account Clerk received additional training on this subject matter at the 2016 Water Quality Symposium, but unfortunately the training was after that portion of the report was prepared and submitted to NYS SWCC. Additionally, the Account Clerk was given line by line instructions from the NYS Soil and Water Conservation Committee (SWCC) during the audit of the 2015 books. With this new information the District's Account Clerk II will be able to prepare the Non-Current Governmental Schedule appropriately.
- D. Board of Director's Treasurer's Reports. The District agrees that there were inconsistencies on the treasurer's reports in the time frame specified in the report. The District was attempting to try a budgeting method proposed by the prior year's auditor in which the District changes budget amounts during the fiscal year as funding changes or new funding becomes available, as opposed to a fixed balanced budget for the fiscal year. This caused the inconsistencies mentioned. From now on, the District will stick with our original balanced budget on the monthly financial report and explain variances at the monthly board of directors meetings. The variance reports will help with better accuracy in the following year's budget.
- E. Petty Cash. The District agrees that \$2.74 in sales tax on \$465.04 in petty cash receipts (5 of 60 transactions) was reimbursed to three employees over the course of

2015. All employees have paid the District back in full. A draft policy has been written and was provided to the District Board of Director's at their September 24 meeting for review/approval (Appendix A). It is important to note that some vendors give the District staff difficulty when attempting to use the paper Tax Exempt form. These vendors often request a plastic card; we have never heard of such a thing. And, it is unfortunate that the most important part of the State form is the tax exempt number, but that is presented in the smallest font possible in an awkward location on the form. We will continue to stay on top of this matter.

- F. Cash. The District does perform bank reconciliation on a monthly basis and has for many years. It is the responsibility of the 1) Administrative Assistant, 2) Executive Director, and 3) the Account Clerk II. From this point forward, the District Administrative Assistant will initial/date the cover sheet of every bank reconciliation.
- G. Bank Transactions with Outstanding Items. Outstanding transactions have been cleared. The Account Clerk II authored a policy/procedure for periodic review and adjustment of outstanding transactions. The BOD approved this policy at their September 2016 meeting (Appendix B).
- H. Minor Difference in the District Checking Account's Year End Trial Balance. The difference has been found. It is a sales tax adjustment which was made through the vendor program and ended up being taken out of the checking account balance in March 2015 (on the books only; no cash actually was deducted). A journal entry has been made to correct this item.
- I. Accounts Receivable. The District is pursuing collection of past-due accounts. The receivables will be reviewed monthly and those over 30 days will require follow up to ensure that payment will be made.
- J. Timely Billing. The Account Clerk II is now current on billing. And, the District is using an administrative calendar to help track deliverables on the multiple funding sources that the District administers.
- K. Funds Transfer from SLWAP Bank Account to OCSWCD's Account. The bank account transfers are being made. It is important to note that our bank only allows for six on-line transfers a month before shutting the bank account down. Transfers over and above six will be done in person at the bank.
- L. SLWAP Equipment Rental Activity. The expense and revenue for the equipment rental program can be set up as a separate class. The expense line will include the cost of maintaining the equipment and the payroll hours associated with individuals who work on the program. The revenue will include the receipts from the farmers who are billed for rental of the equipment. Although there are currently separate lines for the items, they are included in the overall SLWAP class and need to be adjusted out for the purpose of keeping the grant balance accurate. A separate class will save time and facilitate tracking.

- M. Payment to Skaneateles United Methodist Church. The District has pressured the Church to begin providing us with an official receipt for the two-hour rental of their meeting hall. The Church obliged for the September 15, 2016 meeting of the SLWAP Watershed Agricultural Program Review Committee Meeting.
- N. Executive Director Did Not Initial and/or Designate Class Account and Chart Code. It is likely that this occurred on items such as cell phone reimbursement to staff and the health insurance payments. It did not cross the Executive Director's mind to stamp these items as:
- a. The cell phone reimbursement is a fixed rate of \$15/month to field staff and is paid out quarterly. The Executive Director reviews and signs each check prior to the quarterly payment being made.
 - b. The health and dental insurance payments are also a fixed rate. The Executive Director reviews and signs each check prior to the monthly payment being made.
- In the future the Executive Director will stamp, initial, date, class, and chart a document to demonstrate integrity of establish internal controls and ensure proper allocation of expenses.
- O. Credit Card. The policy has been adjusted, with appropriate BOD approval, to match current procedures in practice. The District BOD approved revised policy at the August 24, 2016 meeting.
- P. Testing Credit Card Transactions. When possible, the staff will provide a receipt. If a credit card receipt cannot be acquired from the vendor the District has no ability to receive a copy of credit card receipt. Accordingly, a hand written "lost receipt" will be provided.
- Q. IRS Form W-9. The Account Clerk II will begin issuing W-9 forms to the vendors for completion. We agree with the audit team's goal of obtaining the most accurate tax ID information. The Program Manager's for both the District and SLWAP will need to assist in securing this correct information from the farmers.
- R. Landowner Escrow. Landowner Escrow. The problem with landowner escrow is that the District Program Manager has not always collected landowner escrow when a farmer chooses to pay contractor directly. The Program Manager was informed by the Executive Director, as a result of this audit, that he must always collect landowner escrow (or a letter of credit from the farmer's bank documenting available cash for project) prior to the project commencing or the project will not be undertaken; no exceptions. Appendix C presents a revised policy. Additionally a subsidiary ledger will be set up by the Account Clerk II for ensuring accuracy as to what escrow funds have not yet been paid to contractors. Regarding the escrow bank account: the account will be analyzed at year end to make sure that all the money deposited on behalf of the farms has been paid out to the contractors completing the implementation projects. Any escrow not paid will be explained,

(i.e. another project which will be paid out during the following year), or will be returned to the farmer.

- S. Accounting Treatment of Landowner Escrow Deposits. The District will adopt the auditor's recommendation. This account has been set up. The proposed entries for recording proper accounting of escrow payments will be used.
- T. Landowner Escrow. The District management expanded their Escrow Policy to include "and other projects" which require a landowner's share of costs. This will reduce the risk to the District (and their reputation with a contractor(s)) if the landowner encounters an economic loss and is unable to pay their share at time of completion.
- U. Minor Differences -- Deferred Revenue vs. Quick Class Reports. The quick class reports and the excel spreadsheet are reconciled on a monthly basis in order to report accurate deferred grant balances on the balance sheet which is presented at the BOD meetings. The Account Clerk II will have the Director review and initial the reports from now on. The proper transfers of grant bank accounts will continue to be made.
- V. Defined Schedule To Review Quick Class Reports. The quick class reports are reviewed every month in order to prepare the journal entries for the monthly financial reports and they are attached to the entries. From now on the Director will review and approve the entries.
- W. Interest Income. The District maintains separate bank accounts for each EPF grant. The interest is returned to the state when the grant closes. The District will recognize the interest in these accounts as a liability as opposed to interest earned. Liability accounts have been set up so that interest on EPF grant bank accounts is no longer recorded as interest income.
- X. Cover Crops. To reduce any confusion or misunderstanding in the future, the District has developed some very strict guidelines that were added to the existing cover crop program and approved by the BOD in June 2016 (please see attached policy, Appendix D). All work will be done prior to year-end so that the Account Clerk II can book the liability and/or make payment.
- Y. Annual Tree Sale. The auditors are correct in the statement of inadequate segregation of duties. The tree sale does not make money for the District. It is done as the District's primary outreach mechanism to the general, non-ag public. Approximately 90% of the sales are pre-order leaving a very small amount of cash customers on the day of the sale. Typically cash customers are purchasing any extra stock that the District has as we are required by the nursery to purchase seedlings in bundles of 50 pieces. To help manage the financial loss of this program, the District has always operated with a skeleton crew as labor is our biggest expense. Therefore, it is very hard to have segregation of duties when there are only two or three District employees supporting the program in the field at any one time. It is important to

note that the documented change in the cash box is \$200. Typically, there are no more than \$300 in cash sales. Accordingly, the District has utilized common sense in operating this program. With the changes that the auditors are looking for, the District will need to decide if the additional expense of labor is warranted or should the program be closed down altogether. It comes down to return on investment. The District Program Manager has authored a revised policy for the BOD to review and approve at their September, 2016 meeting (Appendix E).

Z. Final Reconciliation of Tree Sale. See response above.

AA. Hydroseeding. The Account Clerk II will utilize the auditor's recommendation to avoid double booking of expense and revenue.

APPENDIX A



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

Adopted by OCSWCD BOD: September 28, 2016

PETTY CASH POLICY

- Petty cash is a small fund of cash kept on hand and maintained by a 'custodian' for purchases or reimbursements too small for which issuing a check is unreasonable.
- The petty cash fund is safeguarded by a designated individual, a 'custodian', and the funds are kept in a locked location.
- Original receipts must be obtained for each petty cash expenditure; employees are required to return all receipts or documentation of the transaction, along with any excess change from said transaction.
- Allowable and approved purchases are limited to \$20 petty cash funds, and strictly enforced. Whenever a purchase exceeds this limit, the District will purchase by check or credit card.
- Without exception, the petty cash fund will not reimburse for State or County tax. If an employee pays tax, the employee will absorb the tax. The District provides Tax Exemption forms that may be presented to the vendor at the time of purchase.
- Prohibited uses of petty cash funds are, salaries and wages, cashing checks for employees or other individuals; entertainment or any purchase unrelated to or unintended for District use.
- Cash on hand and receipts for disbursements made should always equal the assigned amount of the petty cash fund.
- The petty cash fund is reconciled periodically to ensure the balance of the fund is correct.

Summary history: New York Senate Bill # S3889 was signed into law by New York Governor George Pataki in 1999, increasing the petty cash fund for Soil & Water Conservation Districts from \$50 to a maximum of \$250; the previous bill was signed in 1964 and both were supported by New York State Department of Agriculture and Markets.

Soil & Water Conservation District Law - Section 9, 1C (as amended January 28, 2008):

The board of directors of a soil and water conservation district may authorize the treasurer to establish and maintain a petty cash fund, not in excess of two hundred fifty dollars, for specific district purposes or undertakings, from which may be paid in advance of audit, properly itemized and verified or certified bills for materials, supplies or services furnished to the district for the conduct of its affairs upon terms calling for the payment of cash to the vendor upon the delivery of any such material or supplies or the rendering of any such services. Lists of all expenditures made from such petty cash fund shall be presented to the board of directors at each regular meeting thereof, together with the bills supporting such expenditures, for audit and the board shall direct reimbursement of such petty cash fund from any district moneys in an amount equal to the total of such bills which it shall so audit and allow. Any of such bills or any portion of any such bills as shall be disallowed upon audit shall be the personal responsibility of the treasurer and such official shall forthwith reimburse such petty cash fund in the amount of such disallowances.

"Promoting excellence in the wise use of our rural and urban natural resources."

APPENDIX B

RE: 2015 Audit Report Section III – Cash: Recommendation # 7

Policy and Procedure for Review of Outstanding Checks

At the middle of the year, (June 30) and at the year- end (December 31), the account clerk will review the un-cleared items from the bank reconciliations.

The account clerk will follow up on any un-cleared items which are more than 60 days old and determine the reason.

Depending on the reason, more time will be allowed for the item to clear or, if needed, the item will be voided.

If necessary, a new check will be issued.

APPENDIX C

Onondaga County Soil and Water Conservation District

Onondaga County Agricultural Environmental Management & Implementation Program Escrow Policy:

- This policy will be in effect for projects that fall under the Onondaga County Soil and Water Conservation District's Agricultural Environmental Management (AEM) program.
- 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. Arrangements will be made prior to the start of the implementation.
- The certified check or money order will be payable to the Onondaga County Soil and Water Conservation District and will be deposited in a separate AEM Escrow account established by the District.
- When the AEM project has been completed to the satisfaction of the Onondaga County Soil and Water Conservation District and landowner/producer, the District will utilize the project funds deposited in the Escrow account to pay the landowner/producer share of the project.
- In the event that a project increases in cost as per an approved change order or contract modification, the landowner/producer will be responsible for paying the contractor directly for any additional cash match as agreed to in the change order or contract modification.
- If a landowner is unable to provide advance funding to the Onondaga County Soil and Water Conservation District, the project will not be completed.
- Where the Landowner/Producer intends on providing in-kind service in lieu of cash payment, the Onondaga County Soil and Water Conservation District will determine the value of the in-kind service with both the Landowner/Producer and Contractor prior to the start of the project. These cases will be handled on an individual case by case basis.

OCSWCD Board of Directors Approval: June 28, 2006

Date

Revised and adopted October 26, 2016

APPENDIX D

COVER CROP REIMBURSEMENT POLICY

Policy #21

WAPRC Approval: June 16, 2016

OCSWCD Approval: June 22, 2016

In order to encourage cover crop planting on farms inside the watersheds, the SWCD and/or SLWAP may offer a cover crop reimbursement. The amount of reimbursement per acre will be based on funds available in that watershed that year.

- If a farm is planning to plant cover crops, a pre-planting meeting with SWCD/SLWAP staff is recommended prior to cover crop planting (preferably before September 30).
- To receive a cover crop reimbursement, the farm must be in compliance with their farm plan.
- The farm must: follow the NYS AEM 'Tier 3A Cover Crop Planning Tool' which includes the NRCS Cover Crop Conservation Practice Standard Code 340. This 'Tool' includes the cover crops, minimum seeding rates, seeding depths, and latest acceptable seeding dates. (see current 'Planning Tool')
- The farm must supply a copy of the certified seed tag; or if common seed is used, a copy of the germination test results. Seeding rates to be adjusted according to the 'Planning Tool'. Germination testing must be provided by a third party that is ISTA certified, or otherwise follows the attached seed testing guidelines based off Kansas State AF-82 "Seed Germination Test Methods."
- The Farmer must provide an invoice with tract/field(s) listed including: acres, species, seeding rate, and date.
- SWCD or SLWAP will determine eligible acres for reimbursement.
- The cover crop field(s) will be verified/evaluated by a site visit after establishment, in the year of planting, but before termination. (e.g. in late fall)
- In the event of poor cover crop establishment, despite proper seeding by the producer, payments may still be made to the producer if they followed the 'Planning Tool' requirements.
- A map showing the fields will be produced by SWCD or SLWAP.
- Reimbursement will follow standard SWCD or SLWAP procurement policy for simple purchase.
- Any cover crop harvested for grain commodity, (excluding on-farm use as bedding or forage) will NOT be eligible for reimbursement.
- All invoices from farmer MUST be received by SWCD/SLWAP by November 30.

*For Soil Health Mini-grant, Jan 2015-Dec 2016, Reimbursement rate is set at \$15/acre. Watersheds are restricted to Otisco Lake, WEP Sanitary and Drainage District, and SLWAP.

For OCWA, the reimbursement rate is \$15/acre.

For SLWAP, the reimbursement rate is \$15/acre.

For SLWAP & OCWA *only*- Starting in 2017, winter rye, wheat, or triticale cover crops seeded at less than minimum rates, and/or less than minimum seeding depths, and/or after October 6, but by October 15, the reimbursement rate is \$10/acre; Cover crops seeded after October 15, but by October 30, the reimbursement rate is \$5/acre. After October 30, the rate is \$0/acre.

For NYS EPF grant projects and all other cover crop grant projects, the SWCD and/or SLWAP will follow reimbursement requirements of that particular grant program.

Germination testing of wheat seed

Fusarium head scab on the 2015 wheat crop is being reported from the field in many parts of Kansas. This disease can reduce germination dramatically in some cases, as well as makes reading and understanding a germination test much more difficult. Having your seed professionally tested for germination is always a good practice, but in this instance, it is highly recommended.

If producers want to test their seed for **germination at home**, it needs to be done correctly to be of value. The following detailed procedure is taken (and slightly modified) from K-State Extension publication AF-82, "Seed Germination Test Methods."

- Place two moistened paper towels (on top of each other) on a flat surface. The towels should not have free water in them.
- Arrange fifty (50) seeds on the towels leaving approximately an inch border around the edges.
- Place two more moistened towels over the seeds.
- Make a ½ to ¾ inch fold at the bottom of the four paper towels. This will keep the seed from falling out.
- Starting on one side, loosely roll the paper towels toward the other side (like rolling up a rug) and place a rubber band around the roll(s).

Place the roll in a plastic bag. Seal, but not completely, so as to keep moisture in but still allow some air into the bag.

For newly harvested seed:

- Place the bag upright in the refrigerator for 5 days and then remove and place upright at room temperature for an additional 5 to 7 days.
- Remove the sample from the bag and unroll the towels.
- Count and record the number of healthy seedlings (adequate root and shoot development and NOT overtaken by disease.)

For carryover seed, or after September 1:

- Place the bag upright at room temperature for 5 to 7 days.
- Remove the sample from the bag and unroll the towels.
- Count and record the number of healthy seedlings (adequate root and shoot development and NOT overtaken by disease).

To calculate the germination percentage: divide the number of healthy seedlings by the number of seed tested and multiply by 100.

Example: 42 healthy seedlings X 100 = 84% germination
 50 seed tested

_____ healthy seedlings / _____ # seeds tested x 100 = % Germination _____

This may be repeated more times for each sample in order to obtain more accurate results, testing up to 400 seed. The goal is to have at least 85 percent germination for wheat seed.

APPENDIX E

Onondaga County SWCD Annual Tree & Shrub Sale
Policy & Procedures
Established 9-22-2016
Adopted by OCSWCD BOD: 9-28-2016
Revised 10-19-2016

Annual Tree Sale

The OCSWCD has an annual tree and shrub sale that allows businesses and residents to affordably purchase trees. Most orders are placed and paid for in advance. The supplier requires orders in increments of fifty, so there are trees/shrubs ordered in excess of the preorders. The tree/plant distribution and sale is usually held in late April. Excess items are available for purchase on the day of the distribution. Multiple OCSWCD staff work the distribution and sale. A cash box with \$200 in change is on hand for cash purchases. Left over/excess items are sold on the day of distribution at full sales price. Payment can be made with cash, check or credit card. Staff members that are working with the customer will write up an order form and package that order. All money collected will be handled by one assigned individual, with change made and a receipt written/provided. Reconciliation of the cash box is completed by the SWCD Administrative Assistant and Account Clerk II at the end of the day & sale. There will be receipts generated for all transactions.

After the day of the sale any leftover plant items can be purchased at a 50% discounted rate. If someone calls our office looking to buy trees or plants, they are offered the discounted rate. If there are still items available one week after the sale date, those items are given to whoever wants them, including employees. Any unclaimed plant material after one week will be discarded. There will be receipts written for ALL transactions, including the discarding of material. Cash payments and receipts generated will be handled by the SWCD Administrative Assistant. Cash box reconciliation will again, and finally be checked by the Administrative Assistant and Account Clerk II. Plant stock will be reconciled at the end of the sale.

Also purchased and available for the annual tree sale are bluebird and bat houses, bags of compost, fertilizer tablets and marking flags. These items are returned to OCSWCD stock after the sale to be used for subsequent sales or used for OCSWCD operations. The bird and bat houses will be reconciled after the sale and when they are returned to stock. Flags are not counted or inventoried as they come from normal bulk field stock, and fertilizer tablets are not counted as they are purchased in large bulk quantities that are carried over from year to year.

Notes and reasons for this policy as written-

- We are working in an unsecured environment where the product and general public, employees from other agencies, guests to the office have contact to the "storage" areas during the sale.
- Tree and shrub quantities are in bulk. Counting errors may come directly from the nursery, or damage to some product might occur during the packaging of individual customer orders.
- Some stock die/deteriorate quicker than others.