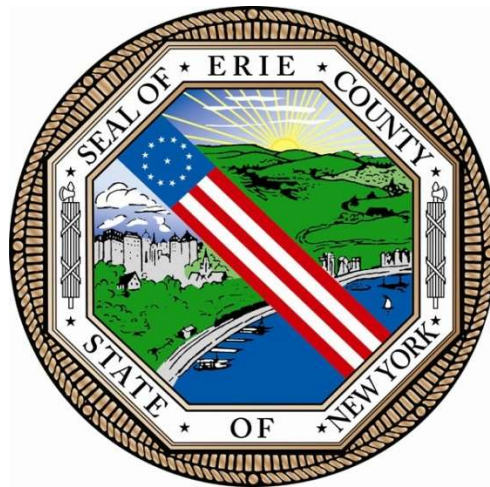


December 2020

**Audit of the Erie County Soil and Water
Conservation District – Cash Receipts and
Disbursements for the Period of January 1, 2019
through December 31, 2019**



**STEFAN I. MYCHAJLIW
ERIE COUNTY COMPTROLLER**

**HON. STEFAN I. MYCHAJLIW
ERIE COUNTY COMPTROLLER'S OFFICE
DIVISION OF AUDIT & CONTROL
95 FRANKLIN STREET
BUFFALO, NEW YORK 14202**



December 18, 2020

Erie County Legislature
92 Franklin Street, 4th Floor
Buffalo, New York 14202

Dear Honorable Members:

The Erie County Comptroller's Office has completed an audit of the Erie County Soil and Water Conservation District – Cash Receipts and Disbursements for the period of January 1, 2019 through December 31, 2019. This audit was conducted at the request of the Erie County Soil and Water Conservation District.

Management of the Erie County Soil and Water Conservation District ("District") is responsible for establishing and maintaining a system of internal control. The objectives of such a system are to provide management with reasonable, but not absolute, assurance that transactions are executed in accordance with management's authorization and are recorded properly. Due to inherent limitations in the system of internal control, errors or irregularities may nevertheless occur and not be detected.

Our responsibility is to express an opinion based on our audit. We conducted our audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions. Our objectives were to test and evaluate cash receipts and disbursements and evaluate internal controls over cash receipt and disbursement transactions. The District informed the audit team that the payroll process and related functions are performed by a third-party vendor. Payroll and payroll related functions were excluded from the scope of this audit and no determinations were made on those transactions. We believe that the evidence obtained provides a reasonable basis for our findings and recommendations based on our audit objectives. We do not express an opinion or provide any assurance on the financial statements or account balances. This report is intended solely for the information and use of management and the Board of Directors of the District. This report is not intended to be used by anyone other than these specified parties.

Opinion

In our opinion, the internal controls over the District's cash receipts from county appropriations, state aid/grants, federal grants, and the tree and shrub program and non-payroll disbursements are adequately designed, and operating effectively.

No other specific matters adversely affecting compliance and procedures came to our attention. Our audit was made for the purpose previously discussed, and would not necessarily disclose all instances of noncompliance with respect to areas of operations not audited.

REPORTING REQUIREMENTS

A draft copy of this report was provided to the Erie County Soil and Water Conservation District for their review. Their comments were considered in the preparation of this report. A copy of their response to this report is included in Appendix A.

BACKGROUND

The Erie County Soil and Water Conservation District ("District") provide services and funds for projects related to the conservation of soil and water resources, improvement of water quality, preservation of wildlife habitat, and management of soil erosion. The District is governed by a seven-member Board of Directors ("Board") appointed by the Erie County ("County") Legislature. The Board is responsible for the general management and oversight of the District's financial and operational affairs. The District Field Manager is responsible for managing the District's day-to-day operations under the Board's direction. The District employs a Secretary/Treasurer who is responsible for maintaining the District's financial records. The District uses QuickBooks ("QB") to record all their financial activity.

This audit focused on the District's cash receipts from the main sources of revenues and on all disbursements excluding payroll and any related payroll functions. The main sources of revenue are funds from County Appropriations, State Aid/Grants, Federal Grants, and proceeds from the annual Tree and Shrub Program. During the audit period, the District received funds based on contracts with Erie County Department of Environment and Planning, Erie County Department of Public Works, NYS Department of Agriculture and Markets, NYS Department of Environment and Conservation, and US Environmental Protection Agency ("EPA"). The funds received from State Aid are based on NYS Soil and Water Conservation Law.

AUDIT RESULTS AND RECOMMENDATIONS

I. Cash Receipts

1. Tree and Shrub Program

A random sample of 30 orders was selected out of 845 orders from the Tree and Shrub Program for testing. The revenue from the selected orders was tested by tracing all dollars from source

documents to bank documents and QB. Also, testing included determining if the revenue from each order was recorded correctly in QB. No discrepancies were noted.

2. County Appropriations, State Aid/Grants, & Federal Grants

The District recorded three cash receipts for county appropriations, ten cash receipts for state aid/grants, and one cash receipt for federal grants. 100% of receipts were used for testing. Receipts were tested by tracing all dollars from source documents to bank statements and QB. Also, testing included determining if the District had valid contracts in place to receive these funds. No discrepancies were noted.

3. Segregation of Duties

The audit team was informed during the walkthroughs and on the internal control questionnaires that the Secretary/Treasurer prepares the bank deposits and the District Field Manager or another staff member takes the deposit to the bank. While reviewing deposit documents during testing, it was noted there is no physical documentation supporting which staff member prepared the deposit and completed the deposit.

We recommend two signatures or initial lines be added to the Sales Drawer Reconciliation, one for the preparer and one for the depositor.

We also recommend the District should consider developing their policies and procedures to assure duties continue to be segregated as the claims process for government funds becomes electronic.

II. Cash Disbursements

1. Supporting Documentation

A random sample of 62 transactions was selected out of 158 non-payroll transactions recorded in QB during the audit period. No determination was made if the disbursements were valid for the District's purposes. The 62 sampled transactions recorded in QB were traced to corresponding supporting documentation which included: the check remittance, Check Request Form, and vendor invoice / payment request. We noted the following during testing:

- a. Check Remittances: 62 of 62 tested QB transactions were traced to the corresponding check remittance and had no discrepancies noted.
- b. Check Request Forms: 36 of 62 tested QB transactions could not be traced to the corresponding Check Request Form. The current Disbursement Procedures do not indicate when the Check Request Form is needed to authorize payment.
- c. Invoices: 50 of 62 tested QB transactions were traced to the invoice / payment request and did not have evidence of approval by the District Field Manager. 7 of 62 sampled QB transactions could not be traced to a corresponding invoice.

We recommend the District review its Disbursement Procedures and determine if it is appropriate to establish a dollar threshold requiring the check request form to make a payment or if a check request form should be required for all payments.

We also recommend that the District determine the best practice to document the pre-approval of invoices / payment requests by the District Field Manager prior to presentation to the Board of Directors.

AUDITOR COMMENTS

I. General

The District is using the cash-basis of accounting for revenues and expenditures.

We recommend that the District, consider adopting an accrual-based accounting method because this method provides a more accurate portrait of the District's financials.

II. Cash Disbursements

1. Board Approvals

The 62 sampled transactions recorded in QB were traced to the abstracts provided to the Board as part of the Treasurer's monthly financial report. We noted the following during testing:

- a. 11 of 62 tested transactions traced from QB to the corresponding abstracts were paid prior to approval by the Board. Nine of these eleven transactions were linked to the Board not convening a meeting for that month.

We recommend that the District review its current policies for disbursements and determine if adding a provision is appropriate to address disbursements required for timely payment during a period without a scheduled Board meeting.

RESULTS OF EXIT CONFERENCE

An exit conference was held on December 30, 2020 with the District Field Manager and Secretary/Treasurer of the Erie County Soil and Water Conservation District. The draft of the audit report was reviewed and discussed. The District Field Manager reviewed the draft report and is in general agreement with our findings and had no further questions or concerns.

The Erie County Comptroller's Office would like to thank the District Field Manager and staff of the Erie County Soil and Water Conservation District for the courtesy extended to us during the audit.

ERIE COUNTY COMPTROLLER'S OFFICE

Cc: Hon. Mark C. Poloncarz, County Executive
Mark C. Gaston, District Field Manager
Erie County Soil and Water Conservation District Board of Directors
Robert W. Keating, Director of Budget and Management
Hon. Stefan I. Mychajliw, Erie County Comptroller
Erie County Fiscal Stability Authority

APPENDIX A

Auditee Response to Audit Report

Erie County Soil and Water Conservation District is in general agreement with the audit report. They declined the offer to provide a written response to be issued with the report at this time. They intend to issue a formal written response to the report at a later date following their Board of Directors meeting in January of 2021.