

Cayuga County Soil and Water Conservation District

Financial Condition

NOVEMBER 2020



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

Cayuga County Soil and Water Conservation District

Audit Objective

Determine whether Cayuga County Soil and Water Conservation District (District) officials effectively managed the District's financial condition.

Key Findings

District officials did not effectively manage the District's financial condition. The District's financial condition declined approximately \$1 million during our audit period because of the Board's hindered ability to recognize revenue shortfalls or cost overruns, limiting any potential corrective action.

- The 2016 through 2020 adopted budgets were not realistic. Revenue and expenditure estimates were not based on prior years' actual results or trends and did not contain estimates for all known revenues and expenditures.
- The adopted budgets were not maintained in the financial accounting software.
- No budget-to-actual reports were prepared to monitor the District's financial health.
- Comprehensive multiyear strategic, financial and capital plans were not developed.

Key Recommendations

The Board should:

- Monitor the budget by reviewing periodic budget-to-actual reports and ensure corrective actions or specific budget amendments are implemented before financial condition is negatively affected.
- Adopt multiyear strategic, financial and capital plans.

District officials generally agreed with our recommendations and indicated they plan to initiate corrective action.

Background

The District is located in Cayuga County (County) and is a component unit of the County. The District provides services to improve and maintain wildlife habitat, help control and prevent water pollution and manage erosion control and other related land use issues.

The District is governed by a seven-member appointed Board of Directors (Board). The Executive Director is responsible for managing the District's day-to-day operations under the Board's direction. The principal account clerk (Clerk) is responsible for processing, recording and reporting the District's financial transactions. The Clerk also serves as the Board's Treasurer and Secretary.

Quick Facts

2019 Budget	\$3.1 million
Employees	13

Audit Period

January 1, 2018 – April 10, 2020

Financial Condition

What Is Effective Oversight?

A board is responsible for managing and overseeing a district's overall fiscal affairs and resources. It must take an active role by establishing policies and procedures that ensure financial reports are complete, reliable and filed in a timely manner. To make informed decisions, it is important that the board receive adequate information showing the results and performance of district operations. Such financial information includes the review of periodic budget-to-actual reports. The board should also ensure that budgets are structurally balanced.

It is also important for district officials to develop comprehensive multiyear financial and capital plans to estimate the future costs of ongoing services and future needs and plan for various methods or resources to finance them. Five-year strategic plans are required by the New York State Soil and Water Conservation Committee (NYS SWCC). District officials should interact with farms throughout their counties based on the priorities in their five-year strategic plans to identify environmental resource concerns and suggest best management practices to address them. SWCD officials, certified planners and engineers should implement these plans in cooperation with farmers. It is equally important that SWCD officials update these plans as new priorities arise.

The Board Did Not Effectively Monitor the District's Financial Condition

The Board was not provided with the necessary financial reports and information to properly oversee the District's financial condition. Although the Clerk provides the Board with reports that detail monthly revenues, expenditures and ending cash balances for the operating fund and grants, no budget-to-actual reports are prepared because the budget is not maintained in the financial accounting software. In addition, the 2016 through 2020 adopted budgets were not realistic because revenue and expenditure estimates were not based on prior years' actual results or trends, and they did not contain estimates for all known revenues and expenditures.

The Clerk explained that she does not have time to update the budget spreadsheet with actual results of operations from the financial accounting software because of all her various other duties. As a result, the Board and District officials were less aware of the District's financial condition at any point in time. The District's financial condition declined approximately \$1 million during our audit period because the Board's ability to recognize revenue shortfalls or cost overruns was hindered, which limited any potential corrective action.

The Board was not provided with the necessary financial reports and information to properly oversee the District's financial condition.

The Board also did not receive comprehensive reports detailing grant funds awarded and money expended to date to help determine the funds remaining for expenditure and to identify how grant money was expended. These reports, coupled with the annual work plan and strategic five-year plan, are important tools for the Board to monitor grant activities, compliance with federal and State requirements, and proper financial management of grant funds.

Monitoring the budget with periodic budget-to-actual reports provides the Board and District officials with vital information regarding the District's financial health.

The Board Has Not Adopted Long-Term Plans

District officials could not provide us with the five-year strategic plans required by the NYS SWCC. While the District prepares an annual work plan, it has not developed long-term multiyear capital or financial plans that set long-term goals and objectives. Such plans would be useful to address the District's declining fund balance and outline the Board's intentions to maintain and improve the District's capital assets. For example, the Board may have made plans for equipment replacements instead of making unexpected repairs totaling \$491,701 on the District's aging equipment in fiscal years 2016 through 2019. Further, the plan must balance capital priorities with fiscal constraints. Therefore, planned equipment purchases should be included in the budget along with their financing source. Over the last four years, District officials budgeted \$181,000 for equipment purchases, but spent \$356,904.

The Executive Director stated that the District receives a lot of revenue through grants and that the type of available grant revenue may change from year to year. Further, he told us that farmers may start or postpone a project depending on the weather and economic situations, which makes long-term planning difficult. However, the District historically has received an average of \$1.2 million in State grant funding and approximately \$650,000 in County funding each year.

What Do We Recommend?

The Board should:

1. Develop and adopt structurally balanced budgets with realistic estimates of revenues and expenditures based on historical trends or other known factors.
2. Monitor the budget by reviewing periodic budget-to-actual reports and ensure corrective actions or specific budget amendments are implemented before financial condition is negatively affected.
3. Adopt long-term strategic, capital and financial plans for District operations.

While the District prepares an annual work plan, it has not developed long-term multiyear capital or financial plans that set long-term goals and objectives.

The Clerk should:

4. Prepare the budget in the financial software to provide the Board with complete and accurate financial reports, including budget-to-actual results of revenues, expenditures and grant activity.

Appendix A: Response From District Officials



Cayuga County Soil & Water Conservation District
7413 County House Rd., Auburn, NY 13021 – Ph. (315) 252-4171 – Fax (315) 252-1900
Facebook: www.facebook.com/cayugaswcd - Website: www.cayugaswcd.org

September 23, 2020

Edward V. Grant Jr., Chief Examiner
Office of the State Comptroller
The Powers Building
16 West Main Street, Suite 522
Rochester, New York 14614-1608

Re: Response to Draft Report of Examination 2020M-091

Dear Mr. Grant:

On behalf of the Cayuga County Soil and Water Conservation District (Cayuga County SWCD) Board of Director's, this letter serves as the official written response regarding the findings and recommendations contained in the Office of the New York State Comptroller's Draft Financial Condition report. The audit process took place between April 5, 2019 and continued until September of 2020.

The Cayuga County SWCD would like to thank the Office of the State Comptroller and their staff for the review of our policies and procedures. The Cayuga County SWCD Board of Director's have had an opportunity to review your findings and recommendations. While we are encouraged that your audit did not find any evidence of fraudulent activity or significant financial issues, we realize that there is room for improvement and would like to offer the following comments to your findings and recommendations.

The report mentions three recommendations that the Board of Directors should consider. The first recommendation is for the Board to utilize realistic estimates of revenues and expenditures based on historical trends or other known factors. While the Cayuga County SWCD believes that we have prepared a budget utilizing historical trends and expenditures from previous years, we will evaluate your recommendation and review our estimated figures more closely in the future. The funding we receive and the work that we perform is variable from year to year, and often times is dependent upon a combination of the financial support from Cayuga County, the availability of grant funding and the success of our applications.

The report also recommends the use of budget-to-actual reports to monitor the budget. Based on this recommendation, the Cayuga SWCD Board of Director's has instructed the District Clerk to submit budget-to-actual reports to the Board of Director's with the additional financial reports, in advance of the meeting. This practice is now in place and the budget will be amended accordingly throughout the year.

The report also mentions that the Board of Director's should adopt long-term strategic, capital and financial plans for Cayuga County SWCD operations. While the Cayuga County SWCD goals are regularly discussed and are widely understood, the Board of Director's agree that these plans are beneficial, and we will work on the development of them as written plans.

The report also identifies two recommendations that the District Clerk should follow. Upon being made aware of these concerns, the District Clerk has implemented the practice of submitting budget-to-actual reports to the Board of Director's. The Board of Director's is regularly updated on grant activity through the passage of resolutions, distribution of financial reports and presentations. The Clerk has begun to prepare the 2021 draft budget, utilizing the financial software.

The Cayuga County SWCD Board of Directors will work with District Staff to develop and submit a corrective action plan to the Office of the New York State Comptroller, as required.

Sincerely,

Raymond Lockwood, Board Chairman

Appendix B: Audit Methodology and Standards

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. To achieve the audit objective¹ and obtain valid audit evidence, our audit procedures included the following:

- We interviewed District officials and reviewed the Board minutes, resolutions and District policies to gain an understanding of the District's financial operations and budget process.
- We reviewed the District's budgets and operating results and conducted an analysis for 2016 through 2019.
- We reviewed all 34 bank statements and reconciliations for the month of August 2018 and verified all 52 deposits/transfers totaling \$714, 015 were accurately recorded and reported.
- We verified the District's financial records on December 31, 2018 per the trial balance reconciled to the bank statements, annual financial report and independent auditor's financial statements for 2018.

We conducted this performance audit in accordance with GAGAS (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 based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make the CAP available for public review in the Clerk's office.

¹ We also issued a separate audit report: Cayuga County Soil and Water Conservation District, Information Technology Governance, 2020M-118.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2018-12/regional_directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263196&issued=All

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263206&issued=All

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2020-05/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263211&issued=All

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/local-government/academy

Contact

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

www.osc.state.ny.us/local-government

Local Government and School Accountability Help Line: (866) 321-8503

ROCHESTER REGIONAL OFFICE – Edward V. Grant Jr., Chief Examiner

The Powers Building • 16 West Main Street – Suite 522 • Rochester, New York 14614-1608

Tel (585) 454-2460 • Fax (585) 454-3545 • Email: Muni-Rochester@osc.ny.gov

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