# *AUDIT REPORT*

# DUTCHESS COUNTY BUILDING LEASES


***OCTOBER 2025***

**OFFICE OF THE**

**DUTCHESS COUNTY COMPTROLLER**

***DAN AYMAR-BLAIR, COMPTROLLER***

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Dear County Officials and Taxpayers,

The Dutchess County Comptroller's Office has completed its audit report of space leased by and from the County for various governmental functions for the period January 1, 2024 through December 31, 2024. Per the Governmental Accounting Standards Board (GASB) Statement No. 87, a lease is defined as a contract granting the right to use another entity's non-financial asset, such as a building or land, for a specified period of time in a mutual transaction.

The scope of this review was limited to long-term lease agreements for County-owned and occupied buildings and real property. Equipment rentals, short-term lease agreements, and right-of-way agreements were not included in our review. For fiscal year 2024, the total expenditures for long-term real property leases reviewed was **$3,055,950**, and the total revenue from the lease agreements reviewed was **$724,850**.

Over the course of this audit, the Comptroller's Office identified a lapse in Legislative oversight of lease agreements throughout the County. Of the 29 lease agreements reviewed, 21 were not approved by the County Legislature prior to contract execution. Dutchess County Administrative Code Section 32.01 states, "Except as otherwise provided in the Charter or this Code, any contract to which the County is a party shall require approval by the County Legislature, if said contract is for the sale, lease, or purchase of real property."

Our Office recommends a recommitting of the County Legislature to complying with the County's Administrative Code and approving lease agreements prior to contract execution in order to ensure that taxpayer funds are better safeguarded. In addition to written procedures, there must be substantive oversight of the length of leases, rent details, maintenance responsibilities and utilities, or other costs to better mitigate the natural risk associated with leasing properties.

Additionally, the length of the lease for Heritage Financial Park, property owned and leased by the County, exceeds the recommended term of 15 years, per Dutchess County Code of Local Laws § 61-1. Legislative review should not only occur with greater regularity, but with a thorough application of County codes. Reasonable term limits of lease agreements allow the County to reevaluate both the continued use of the property, as well as obtaining competitive rates for property that the County was a tenant of.

Finally, there were 2 Vendors identified as having occupied 3 County-owned spaces without active lease agreements. Lease terms should be clearly defined for both parties and proper insurance verified in order to safeguard public assets and offer additional protection for our Vendors.

We thank the Department of Public Works and the County Attorney's Office for their assistance in the preparation of this report.

Respectfully submitted,

Dan Aymar-Blair

Dan Aymar-Blair
Dutchess County Comptroller

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## I. Background

Dutchess County leases and owns several properties used for various governmental functions. Some County-owned properties are leased to outside agencies. Per the Governmental Accounting Standards Board GASB Statement No. 87, a lease is defined as a contract granting the right to use another entity's non-financial asset, such as a building or land, for a specified period of time in a mutual transaction.

The need for leased space is determined collaboratively by the Dutchess County Department of Public Works (DPW), the Dutchess County Department requesting the space, and the County Executive's Office. All lease agreements must be executed by the County Executive and the County Attorney's Office, which ensures legal compliance and provides legal counsel during lease agreement execution.

The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87 (GASB 87) in June 2017 to improve accounting and financial reporting for leases by governments. The Dutchess County Finance Department is responsible for determining if GASB 87 is applicable to County lease agreements and ensuring that applicable leases are included in the County's financial statements.

For fiscal year 2024, the total expenditures for long-term real property leases reviewed was **$3,055,950** and the total revenue from the lease agreements reviewed was **$724,850**.

## II. Objectives

The primary objectives of this report are to **(1)** Inform the public of the various County building lease agreements; and **(2)** to confirm compliance with policies and procedures in relation to County-leased property.

## III. Scope and Methodology

An examination of all lease expenditures and revenues for the period January 1, 2024 through December 31, 2024, was conducted to confirm compliance with contract terms.

All active building lease agreements were reviewed to ensure compliance with relevant Dutchess County policies, the Dutchess County Charter, Administrative Code, and the Code of Local Laws. This includes lease agreements where Dutchess County is both the lessee and the lessor.

The scope of this review was limited to long-term lease agreements for County-owned and occupied buildings and real property. Equipment rentals, short-term lease agreements, and right-of-way agreements were not included in our review.

## IV. Summary of Findings

1. Approval by the County Legislature was not received prior to contract execution (meaning signed by all relevant parties) for 21 of the 29 lease agreements reviewed.
2. Three instances were noted where a lessee occupied County-owned property without an active lease agreement executed by the County Executive.
3. The Department of Public Works does not have written procedures in place for initiating lease agreements, oversight of lease compliance, or tracking rent receivable.
4. Revenue from 2 in-kind lease agreements was not recorded, resulting in an understatement of rental revenue in the amount of **$17,564** for the year ending December 31, 2024.

## V. Summary of Recommendations

1. Approval from the County Legislature should be provided prior to execution of lease agreements for real property to ensure that the terms of the agreements have been adequately evaluated.
2. County-owned property should not be occupied by outside agencies without an active lease agreement.
3. The Department of Public Works should create a written internal process and procedure document for initiating lease agreements, monitoring compliance, and tracking rent receivable.
4. A transaction should be recorded in the County's financial system for all lease agreements, including agreements where services are provided in lieu of rent, to ensure accurate reporting of revenue and expenditures.

# VI. Policies and Procedures

## *A. PROCUREMENT*

**Procurement Process**
When a Dutchess County Department determines there is a need for space, the Department of Public Works (DPW) is notified of their request. DPW will then confer with the County Executive's Office, as their approval is required. Alternatively, the County Executive may determine when there is a need for the purchase, sale, lease or redevelopment of real property.

Once the need for space is approved by the County Executive, DPW will collaborate with the requesting Department to develop a plan for the use of the space. DPW helps find space to rent based on the plans and uses fit-up costs and comparable property rates at the time of lease consideration. DPW may solicit a Request for Proposals (RFP) to the community to identify properties which meet the need.

The County Attorney's Office ensures legal compliance and provides legal assistance for lease agreement execution. Per Section 3.02 of the Dutchess County Charter, the County Executive has the authority to "make, sign and implement all contracts on behalf of the County within authorized appropriations."

In addition to the above process, the Dutchess County Administrative Code Section 32.01 states "Except as otherwise provided in the Charter or this Code, any contract to which the County is a party shall require approval by the County Legislature, if said contract is for the sale, lease, or purchase of real property." Per Local Law 6-2015, the County Executive has the authority to execute leases for space at the Hudson Valley Regional Airport without Legislative approval. Details of the lease agreements reviewed, and the applicable Resolutions or local laws can be found in **Exhibit I**.

***Observation***
1. County Lease agreements are not subject to competitive bidding per General Municipal Law (GML) Section 103. In addition, lease agreements are not included in Dutchess County's Procurement Policies and Procedures.

***Finding***
- Legislative approval of lease terms was not obtained prior to contract execution for 21 of the 29 leased properties reviewed, indicating a lapse in oversight and transparency.

***Recommendations***
- Legislative approval should be acquired prior to contract execution for any contract that is for the lease of real property to ensure transparency. While the appropriation for expenditure lease agreements was approved during the budgetary process, the terms of the 21 lease agreements were not approved by the Legislature. Legislative approval of the terms of a lease agreement would ensure taxpayer funds are safeguarded by minimizing risk and offering an additional review of the length of the lease, the rent details, maintenance responsibilities and utilities, or other costs.
- In addition, since lease agreements are not subject to competitive bidding the Legislature should require multiple property comparisons when approving long-term leases for real property in order to verify that the financial impact of the lease has been adequately evaluated.
- If there are valid, conflicting interpretations of the Legislative approval requirements stated in Section 32.01 of the Dutchess County Administrative Code, we recommend that the Legislature clarify the law.

# VI. Policies and Procedures, cont.

## *A. PROCUREMENT*

### Space Needs Assessment

Resolution No. 2025065 authorized **$118,000** in funding to be used by the Department of Public Works for a County-wide building and space needs assessment to assist Dutchess County with decisions in relation to the renovation, acquisition, leasing, and disposition of property.

***Observation***

1. A comparable space needs assessment for County-used space has not been conducted in at least the last 10 years prior to this initiative.

***Recommendation***

1. A County-wide building and space needs assessment should be conducted periodically to confirm County-owned and leased properties are utilized efficiently and cost effectively. Regular assessments will promote transparency in planning and accountability for resource allocation. Written policies and procedures should be implemented to ensure that space needs assessments are conducted periodically.

### Term of Leases

Twenty-nine of Dutchess County's active building leases were reviewed to ensure agreements accurately reflected lease terms. In addition, the terms of active lease agreements were reviewed to ensure they did not exceed 15 years in accordance with the Dutchess County Code of Local Laws § 61-1 Term of Leases.

***Observations***

1. Lease agreement # 90-0222-5/95 has been extended repeatedly over a period exceeding 15 years. Resolution No. 900073 authorized the County Clerk to enter into a lease agreement with T&R Investors for the property located at 15 Myers Corners Road in the Village of Wappingers Falls for a 5-year term with the option to renew for one additional term of 5 years. The original agreement was executed 35 years ago on March 16th, 1990, for the five-year term 7/1/1990-6/30/1995. The lessor of this agreement changed from T&R Investors to Hollowbrook of Dutchess LLC for the period beginning 7/1/1995 in Lease Amendment # 90-0222-5/95-CK-A2. The lessor was then changed again to 31 Marshall, LLC for the contract beginning on 1/1/2013 in Amendment # 90-0222-5/95-CK-A7.
2. Contract # 22-0257-12/46-PK is a revenue lease agreement approved by Resolution No. 2021088 for the space at Dutchess County for Heritage Financial Park. This agreement was written for a 25-year term for the period 1/1/2022-12/31/2046.

***Recommendations***

1. A new lease agreement should be approved by the County Legislature and executed by the County Executive if the agreement extends beyond the 15-year term limit and if there is a change in the lessor or lessee of an agreement.
2. Lease agreements should not exceed a 15-year term in accordance with the Dutchess County Code of Local Laws § 61-1 Term of Leases adopted by Local Law 8-1983. The intent of this Local Law was so that Dutchess County could obtain competitive rates for property that the County was a tenant of. However, Section § 61-1, does not specify what type of lease the term limit applies to. Our recommendation is that all leases, both revenue and expenditure, be executed for a term not exceeding 15 years.

## VI. Policies and Procedures, cont.

### ***B. LEASE AGREEMENT OVERSIGHT***

For lease agreements in which Dutchess County is the lessor, DPW oversees the lease agreement and keeps track of the rental revenue. When Dutchess County is the lessee the County Department utilizing the leased space monitors the lease expenditure. In addition, the Dutchess County Department of Public Works Buildings Division is responsible for the maintenance and operation of most County-leased buildings.

***Findings***

1. There are no written procedures in place for the oversight of lease agreements, the process of initiating a lease agreement, and tracking rent receivable.
2. Three instances were noted where lessees occupied County-owned space without an active lease agreement.
3. 12 of the 29 contracts and contract amendments reviewed were not executed before the start of the term of the lease. Details of contract execution dates can be found in **Exhibit I**.

***Recommendations***

1. The Department of Public Works should create written internal processes and procedures for initiating lease agreements and tracking of rent receivable to ensure consistent oversight and accountability.
2. In order to safeguard assets, County-owned property should not be occupied without an active lease agreement.
3. Managing Dutchess County Departments and the Dutchess County Attorney's Office should collaborate to ensure timely execution of lease agreements and amendments.

## *C. GASB STATEMENT NO. 87*

GASB 87 requires lessees to recognize a lease liability and a right to use assets, or an asset representing the lessee's contractual right to the leased property on their balance sheet. In addition, it requires lessors to recognize a lease receivable and an offsetting deferred inflow of resources. GASB 87 requirements became effective for reporting periods beginning after June 15, 2021.

### Dutchess County Lease Policy

Dutchess County began recognizing leases on the financial statements in accordance with GASB Statement No. 87 for the fiscal year ended 12/31/2022. Per the Dutchess County Lease Policy, all leases should comply with GASB 87 requirements except for short-term leases, leases that do not meet the County's materiality threshold and inter-departmental leases. A lease is considered material if they have a present value of **$100,000** or greater for building leases and **$50,000** or greater for all other leases.

The Department of Finance prepares an analysis to determine if GASB 87 is applicable to a County lease. This analysis is then reviewed and approved by the County's Finance Department. All County Departments are surveyed to ensure all applicable lease expenditures are recorded. The Finance Department inputs the applicable lease data such as the length of the lease and the monthly payment into the County's lease software and prepares the required journal entries in the County's financial management system to comply with GASB 87.

The lease expenditures and revenues recorded in the County's financial management system for fiscal year 2024 were reviewed to ensure all applicable lease agreements were recorded in compliance with GASB 87.

***Finding***

1. A payment in the amount of **$4,048** was erroneously included in the 2024 GASB 87 lease expenditures. *Note: This error had an immaterial effect on the financial statements as it represented 0.1% of the total lease expenditures in the year 2024.*

***Recommendation***

1. GASB 87 lease expenditures should be reviewed by The Department of Finance to ensure accuracy.

# VII. Lease Expenditures

The active County lease agreements with the current cost per square foot are included in the chart below.

| Space Leased by Dutchess County | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Contract # | Term | Vendor | Dept. | Street Address | City, Zip (NYS) | Sq. Foot | Current Price per Sq. Foot | Current Annual Rent* | Use |
| 22-0259-8/37-EL | 9/1/2022-8/31/2037 | N&N Hyde Park, LLC | BOE | 4274-4288 Albany Post Rd. | Hyde Park 12538 | 24,781 | $15.31 | $379,356.84 | Office Space |
| 21-0115-3/36-EL | 4/1/2021-3/31/2036 | North Point Centre, LLC | BOE | 112 Delafield St. | Poughkeepsie 12601 | 7,680 | $34.39 | $264,115.20 | Office Space |
| 20-0269-4/35-PU | 5/1/2020-4/30/2035 | Taconic Realty Associates, LLC | Central Services | 378 Violet Ave. | Poughkeepsie 12601 | 11,742 | $20.13 | $236,366.46 | Office/Warehouse Space |
| 13-0058-12/14-CK-A13 | 1/1/2025-12/31/2025 | Hunter Rental Properties, LLC | Co Clerk | 15 Merritt Ave. | Millbrook 12545 | 1,612 | $27.36 | $44,100.00 | Millbrook DMV Lease |
| 90-0222-5/95-A18 | 1/1/2025-12/31/2025 | Marshall 31, LLC | Co Clerk | 3 Hollowbrook Park, 15 Myers Corners Rd. | Village of Wappingers Falls 12590 | 3,800 | $19.81 | $75,291.90 | Wappingers Falls DMV Lease |
| 22-0113-5/32-DA | 5/1/2022-4/30/2032 | 40 Garden St, LLC | DA | 278 Mill St., Suite 500 | Poughkeepsie 12601 | 5,500 | $29.71 | $163,378.60 | Grand Jury Hearing Room/DA Office Space |
| 25-0184-4/28-DA | 5/1/2025-4/30/2028 | 40 Garden St, LLC | DA | 278 Mill St., Suite 100 | Poughkeepsie 12601 | 3,300 | $23.64 | $78,000.00 | DA Office Space |
| 21-0034-12/21-AV-A4 | 1/1/2025-12/31/2025 | DPW - Airport Division | DA | 263 New Hackensack Rd. | Wappingers Falls 12590 | 2,210 | $29.03 | $64,163.64 | Storage Space |
| 19-0025-2/22-SH-A3 | 3/1/2024-2/28/2026 | 27 High Street Lofts, LLC | ER | 9 West Oakley St. - Suite 6 | Poughkeepsie 12601 | 2,585 | $9.29 | $24,025.18 | Storage Space |
| 23-0189-12/23-AV-A2 | 1/1/2025-12/31/2025 | DPW - Airport Division | ER | 263 New Hackensack Rd. | Wappingers Falls 12590 | 2,524 | $18.01 | $45,467.76 | Storage Space |
| 12-0210-HD-A4 | 2/7/2020-12/31/2033 | Page Park Associates, LLC | Health | 85 Civic Center Plaza | Poughkeepsie 12601 | 2,000 | $7.48 | $14,960.00 | Storage Space |
| 23-0267-5/24-BCH-A2 | 6/1/2025-12/31/2025 | Family Services, Inc. | Health | 29 North Hamilton, Suite 109 | Poughkeepsie 12601 | 1,978 | $25.30 | $50,037.12 | Clinic Rent |
| 23-0189-12/23-AV-A2 | 1/1/2025-12/31/2025 | DPW - Airport Division | Health | 263 New Hackensack Rd. | Wappingers Falls 12590 | 4,020 | $17.99 | $72,324.24 | Storage Space |
| 12-0210-HD-A4 | 2/7/2020-12/31/2033 | Page Park Associates, LLC | Health/ Veteran's | 85 Civic Center Plaza | Poughkeepsie 12601 | 27,000 | $29.35 | $792,450.00 | Office Space |
| 19-0001-12/28-OA-A1 | 4/1/2021-12/31/2033 | CNN Spruce, LLC | OFA | 114 Delafield St. | Poughkeepsie 12601 | 11,995 | $30.60 | $367,047.00 | Office/Kitchen Space |

# VII. Lease Expenditures, cont.

| Contract # | Term | Vendor | Dept. | Street Address | City, Zip (NYS) | Sq. Foot | Current Price per Sq. Foot* | Current Annual Rent* | Use |
|---|---|---|---|---|---|---|---|---|---|
| Space Leased by Dutchess County | | | | | | | | | |
| 22-0277-1/32-PD | 9/1/2022-1/31/2032 | 45 Jackson Street, LLC | PD | 45 Jackson St. | Fishkill 12524 | 2,562 | $34.51 | $88,424.52 | Office Space |
| 12-0210-HD-A4 | 2/7/2020-12/31/2033 | Page Park Associates, LLC | Planning | 85 Civic Center Plaza | Poughkeepsie 12601 | 7,220 | $29.35 | $211,907.00 | Office Space |
| 22-0510-10/32-BCH | 11/1/2022-10/31/2032 | Mental Health America of Dutchess County, Inc. | Veteran's | 1335 Rt. 44 | Pleasant Valley 12569 | 1,763 | $17.40 | $30,682.00 | Office Space |
| 12-0210-HD-A7 | 6/1/2022-12/31/2033 | Page Park Associates, LLC | Youth | 85 Civic Center Plaza | Poughkeepsie 12601 | 2,378 | $21.85 | $51,959.30 | Office Space |

**Current price per square foot and current annual rent does not include cost per square foot for janitorial expenses.*

***Finding***

1. Janitorial costs were inconsistently recorded across County Departments. It was noted that in some instances janitorial costs that were listed separately on the lease agreement or on the invoice were paid against the general ledger account for real property rental expense.

***Recommendation***

1. If the lease agreement or invoice indicates that janitorial costs are billed separately, those costs should be allocated to a general ledger account designated for janitorial expenses. This will provide a more accurate figure of the rental/lease expense for the financial statements.

## 2024 Building Lease Expenditures

The 2024 lease expenditures recorded in the Dutchess County financial management system were compared against executed lease agreements to confirm expenditures paid to vendors were in compliance with contract payment provisions. The 2024 lease expenditures included in the scope of this audit totaled **$3,055,950**.

Details of Dutchess County's building lease expenditures by vendor for the year 2024 can be found below.

| 2024 Building Lease Expenditures by Vendor | | |
|---|---|---|
| Contract # | Vendor | 2024 Rent Expenditures |
| 19-0025-2/22-SH-A1-4 | 27 High Street Lofts, LLC | $94,820 |
| 22-0113-5/32-DA | 40 Garden St, LLC | $157,465 |
| 22-0277-1/32-PD | 45 Jackson Street, LLC | $85,932 |
| 19-0001-12/28-OA-A1 | CNN Spruce, LLC | $353,201 |
| 21-0034-12/21-AV-A3 | DPW - Airport Division | $64,164 |
| 23-0189-12/23-AV-A1 | DPW - Airport Division | $117,792 |
| 23-0267-5/24-BCH-A1 | Family Services, Inc. | $49,430 |
| 13-0058-12/14-CK-A12 | Hunter Rental Properties, LLC | $42,780 |
| 90-0222-5/95-A17 | Marshall 31, LLC | $73,455 |
| 22-0510-10/32-BCH | Mental Health America of Dutchess County, Inc. | $30,682 |
| 22-0259-8/37-EL | N&N Hyde Park, LLC | $362,319 |
| 21-0115-3/36-EL | North Point Centre, LLC | $255,494 |
| 12-0210-HD-A4-A7 | Page Park Associates, LLC | $1,155,132 |
| 20-0269-4/35-PU | Taconic Realty Associates, LLC | $210,584 |
| 92-0534-8/07-PW-A4 | Town of Beekman | $2,700 |
| | | **$3,055,950** |

***Observations***

- Resolution No. 2017237 authorized the sale of County-owned property at 27 High Street, Poughkeepsie in exchange for reduced rent at 85 Civic Center Plaza and 378 Violet Avenue, Poughkeepsie in the amount of **$1,325,000**.
    - Contract # 12-0210-HD-A4 provided a rental credit of **$136,276** annually from January 1, 2019, through December 31, 2022, totaling **$545,104** for the space leased at 85 Civic Center Plaza.
    - Contract # 20-0269-4/35-PU provided a rental credit of **$155,979** annually from July 1, 2020, through June 30, 2025, totaling **$779,896** for the space leased at 378 Violet Ave.

## VII. Lease Expenditures, cont.

***Finding***

1. **$2,700** in payments for ground rent were made without an active lease agreement. The Town of Beekman salt shed was occupied by the Department of Public Works without a lease agreement for the ground rent between 4/1/2024-12/25/2024. *Note: a new agreement between the Town of Beekman and the Department of Public Works was entered into for the term 12/26/2024-12/26/2034. Under the new agreement both parties will share equally the joint costs of improvements to the Beekman salt shed. In addition, the Department of Public Works has agreed to pay the "soft costs" associated with the joint project and will have no further obligation to make ground rent payments.*

***Recommendation***

1. Dutchess County Departments should not occupy space without an active lease agreement to ensure that the terms of the lease are clearly defined for both parties.

# VIII. Lease Revenue

The active lease agreements where Dutchess County is the lessor are listed in the chart below.

| Current Revenue Lease Agreements | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Contract # | Term | Vendor | Department | Description | Rental Street Address | Rental City, Zip (NYS) | Sq. Foot | Cost per Sq. Foot | Monthly Rent | Current Annual Rent |
| 22-0257-12/46-PK-A1/2 | 1/1/2022-12/31/2046 | DBH Hudson Valley, LLC | DPW - Parks | Heritage Financial Stadium | Rt. 9D | Wappingers Falls 12590 | N/A | N/A | $50,000.00 | $600,000.00 |
| 25-0344-4/26-PW | 5/1/2025-4/30/2026 | Michael Cooper | DPW - Parks | Isolation Cottage | 131 Sheafe Rd. | Wappingers Falls 12590 | 900 | $12.33 | $925.00 | $11,100.00 |
| 05-9999-12/09-PW-A6 | 1/1/2023-12/31/2025 | US Department of Agriculture | DPW Buildings | Farm & Home Center | 2715 Rt. 44 | Millbrook 12545 | 1823 | $15.00 | $2,278.75 | $27,345.00 |
| 16-0406-9/21-PW-A2 | 9/1/2021-8/31/2026 | Cornell Cooperative Extension of Dutchess County | DPW Buildings | Farm & Home Center | 2715 Rt. 44 | Millbrook 12545 | 4100 | $1.58 | $540.99 | $6,491.94 |
| 18-0753-12/20-BCH-A5 | 1/1/2025-12/31/2025 | Rehabilitation Support Services, Inc. | Mental Health | Rehabilitation Support Services, Inc Dutch Treat Café | 230 North Rd. | Poughkeepsie 12601 | 2650 | $1.81 | $400.00 | $4,800.00 |
| 23-0019-12/23-BCH-A2 | 1/1/2025-12/31/2025 | Access Supports for Living | Mental Health | EDGC | 131 County House Rd. | Millbrook 12545 | 7172 | $7.79 | $4,655.83 | $55,869.96 |
| 24-0554-12/24-HD-A1 | 1/1/2025-12/31/2025 | Family Services, Inc. | Mental Health | Mental Health Clinic Services - EDGC | 131 County House Rd. | Millbrook 12545 | 1686 | $7.79 | $1,094.50 | $13,134.00 |
| 24-0514-12/24-DMH-A1 | 1/1/2025-12/31/2025 | Family Services, Inc. | Mental Health | Mental Health Clinic Services | 223 Main St. | Beacon 12508 | 3735 | $12.61 | $3,923.87 | $47,086.44 |
| 25-0420-12/28-DMH | 1/1/2025-12/31/2028 | Astor Services for Children & Families | Mental Health | Beacon Center - Astor | 223 Main St. | Beacon 12508 | 1472 | 7.38%* | 7.38%* | 7.38%* |

**7.38% of the County's cost to operate the property.*

This review did not include rental revenue received by the Hudson Valley Regional Airport's Enterprise Fund. For further detail on the airport's rental revenue, you may refer to the Dutchess County Comptroller's Audit of the Hudson Valley Regional Airport released in December 2023.

### *Observation*

- Dutchess County purchased Camp Nooteeming, a property located at 22-169 Camp Nooteeming Road in the Town of Pleasant Valley in 2022. Included in the sale was the seller's interest in a rental agreement with Pathfinder LLC. Dutchess County entered a Facility Operators' lease agreement in which Pathfinder Foundation agreed to provide year-round youth programming on the property. The agreement does not include the exchange of rental payments and does not designate services provided in lieu of rent.

***Finding***

1. Two vendors occupied three County-owned spaces without active lease agreements.
    - **a. $110,682** in rent was paid by Astor Services for Child and Families without an executed contract. Astor Services occupied office space owned by Dutchess County located at 223 Main Street in Beacon, NY without a lease agreement for the period 1/1/2018-12/31/2024. Contract # 17-0364-12/17-BCH was written for the lease of this property for the period January 1, 2017, through December 31, 2017, with the option to extend the agreement for 5 additional one-year terms. No extension to this agreement was completed. *Note: A new contract for this space was executed on 9/29/25 for the term 1/1/2025 through 12/31/2028 following the discrepancy identified in this audit.*
    - b. Family Services, Inc., formerly Hudson Valley Mental Health, Inc., occupied the space at 131 County House Road in Millbrook, NY for the period 1/1/2018 through 9/14/2024 and at 223 Main Street in Beacon, NY for the period 1/1/2020 through 9/14/2024 without a lease agreement. No rent was received from this vendor for either space during the periods without a lease agreement.

***Recommendation***

1. County-owned space should not be leased without an active lease agreement. The terms of the lease should be clearly defined for both parties and proper insurance should be verified in order to safeguard the public assets.

### 2024 Building Lease Revenue

The 2024 lease revenue recorded in the Dutchess County financial management system was reviewed to confirm revenue was received in accordance with relative lease agreements. The total revenue for the lease agreements included in the scope of this audit in the year 2024 was **$724,850**.

Details of Dutchess County's building lease revenue by vendor for the year 2024 can be found below.

| | 2024 Building Lease Revenue by Vendor | |
|---|---|---|
| **Contract #** | **Vendor** | **2024 Rent Revenue** |
| 05-9999-12/09-PW-A6 | US Department of Agriculture | $27,345 |
| 16-0406-9/21-PW-A2 | Cornell Cooperative Extension of Dutchess County | $6,281 |
| 18-0753-12/20-BCH-A5 | Rehabilitation Support Services, Inc. | $4,800 |
| 22-0257-12/46-PK-A1/2 | DBH Hudson Valley, LLC | $600,000 |
| 23-0019-12/23-BCH-A2 | Access Supports for Living | $55,870 |
| N/A - No Contract | Astor Services for Children and Families | $19,780 |
| 17-0105-4/18-PK-A6/7 | Michael Cooper | $10,774 |
| | | **$724,850** |

***Observation***

1. The annual base rental revenue received by Dutchess County for Heritage Financial Park, formerly known as Dutchess Stadium, is **$600,000** for the years 2024-2028. In addition to the base rent, the vendor is required to pay Dutchess County 17.5% of the revenue received from other "special" non-baseball events. In 2024, Dutchess County received **$17,316** in special events rental revenue. More information on this lease agreement can be found on the Dutchess County Comptroller's Audit Report of Heritage Financial Park released in October 2023.

***Finding***

1. Rental revenue in 2024 for Contract # 17-0364-12/17-BCH was billed based on an outdated square footage calculation. Per the last executed contract, the tenant was responsible for paying 17.44% of the County's cost to operate the property based on the square footage of the space rented at 223 Main Street in Beacon. The square footage of the rented space per an updated floor plan completed in the 2nd Quarter of 2024 was 1,471. The square footage per the last contract executed was 1,380. While there was no current lease agreement for this space, the Department of Public Works continued to bill the Agency per the rate outlined in the last lease agreement executed. *Note: After discovery of the discrepancy DPW began using the updated square footage in their calculation for the 1st quarter of 2025 and are working to renegotiate the terms of the lease.*

***Recommendation***

1. A contract amendment should be submitted if a change to the square footage and rate charged occurs to ensure vendors are billed the correct amount. This practice supports transparency in financial reporting and strengthens accountability in lease administration.

## In-Kind Lease Agreements

Contract # 24-0554-12/24-HD is for the use of County-owned space located at 131 County House Road in Millbrook, NY and Contract # 24-0514-12/24-DMH is for the use of County-owned space located at 223 Main Street in Beacon, NY. These contracts became effective on September 15, 2024, and are agreements between Dutchess County and Family Services, Inc., where Dutchess County provides space to Family Services, Inc. and Family Services, Inc. provides mental health clinic services in lieu of rent.

### *Findings*

1. Family Services, Inc., formerly Hudson Valley Mental Health, Inc., occupied space in two County-owned buildings without a lease agreement. There was no lease agreement for the space occupied at 131 County House Road for the period 1/1/2018 through 9/14/2024 and at 223 Main Street for the period 1/1/2020 through 9/14/2024.
    a. 131 County House Road: The lease agreement # 16-0179-12/16-BCH-A1 was a rental agreement for the space located at 131 County House Road and was extended through 12/31/2017. Per this agreement the rent was **$1,095** per month. The vendor continued to occupy this space until the next executed lease agreement began on 9/14/2024. It was noted that a verbal agreement had taken place after the expiration of contract # 16-0179-12/16-BCH-A1 in which the vendor would provide services in lieu of rent for this space.
    b. 223 Main Street: The lease agreement # 16-0178-12/16-BCH-A3 was a rental agreement for the space located at 223 Main Street and was extended for the period 1/1/2018 through 12/31/2019. Per this agreement the vendor would provide services in the amount of **$94,173** in exchange for 2 years of the space rented. This vendor continued to occupy the space after the lease expired on 12/31/2019 until the new agreement was executed and began on 9/14/2024.
2. The Finance Department was not made aware of the two lease agreements, Contract # 24-0554-12/24-HD and # 24-0514-12/24-DMH when they were executed in 2024, limiting the ability to ensure proper financial reporting.
3. Rental revenue was understated by **$17,564** for the year ending December 31, 2024. No transaction was recorded in the County financial system to recognize the value of services received in lieu of rent. Details of the understated revenue can be found in the chart below.

| Contract # | Term | Vendor | Monthly Rent | 2024 Total Rent |
|---|---|---|---|---|
| 24-0554-12/24-HD | 9/15/24-12/31/24 | Family Services, Inc. | $1,095 | $3,831 |
| 24-0514-12/24-DMH | 9/15/24-12/31/24 | Family Services, Inc. | $3,924 | $13,734 |
| | | | | **$17,564** |

4. The Department of Mental Health did not receive invoices from Family Services, Inc. for the services provided in lieu of rent for the year 2024.
5. The scope of Contract # 24-0554-12/24-HD and Contract # 24-0514-12/24-DMH does not include details of the services provided in exchange for rent.

***Recommendations***

1. A formal lease agreement should be executed when services are provided in exchange for rent. County-owned space should not be occupied without an active lease agreement to ensure that the terms of the lease are clearly outlined for both parties, proper insurance is verified, and the public assets are safeguarded.
2. The Finance Department should be notified by the contracting department when new lease agreements are executed, in accordance with the Dutchess County Lease Policy. In addition, the Finance Department should include revenue agreements where Dutchess County is the lessor in their year-end verification to ensure all applicable lease agreements are recorded in accordance with GASB 87. *Note: The Finance Department has worked with the Office of Central and Information Systems (OCIS) and now receives an automatic notification when new lease agreements are executed. This will ensure all lease revenue and expenses are captured.*
3. In-kind rent transactions should be recorded in the County's financial system to recognize rental revenue *Note: During this audit it was discovered that this transaction was not recorded, and the Finance Department, the Department of Mental Health, and the Department of Public Works are working in collaboration to ensure a transaction will be recorded for these agreements in 2025 and going forward.*
4. The Department of Mental Health should receive itemized invoices from Family Services, Inc. detailing the services provided in lieu of the rent. *Note: The Department of Mental Health has worked in collaboration with the Comptroller's Office and the Department of Finance to ensure appropriate invoices are submitted by the vendor going forward.*
5. The scope of the in-kind lease agreements should be amended beginning in 2025 to include specific details of the services provided and performance expectations. This will enhance transparency and accountability.

# IX. Department Response

**SUE SERINO**
**COUNTY EXECUTIVE**

22 Market Street
Poughkeepsie, NY 12601
Phone: 845-486-2000

**DUTCHESS COUNTY GOVERNMENT**

October 23, 2025

Dan Aymar-Blair, Comptroller
22 Market Street, 4th Floor
Poughkeepsie, NY 12601

Dear Comptroller Aymar-Blair:

Thank you for the opportunity to respond to your draft report on County Building Lease Agreements. We appreciate the report's objectives to enhance transparency and ensure compliance, and it provides a valuable opportunity for us to strengthen our processes and improve outcomes in the interest of accountability and operational and financial efficiency.

I agree with the majority of your recommendations and will coordinate with the appropriate departments to support their implementation.

However, while we may share the same opinion on most of your recommendations, the findings and recommendations regarding legislative approval of lease agreements appear to conflict with the County Charter. The Charter grants the Executive Branch the power to negotiate the terms of all contracts, sign them once the Executive is satisfied with finalized terms of the agreement, and then implement them—lease agreements being a type of contract. The appropriate "check and balance" on this authority resides with the County Legislature, as the appropriating body. The Legislature retains the power to defund a lease by resolution or to decline to appropriate all or part of the necessary funds. The Administrative Code may only implement, and not contradict, the Charter. Additionally, under certain circumstances, the County enters into license or professional service agreements, which follow similar executive authority, and may be misinterpreted as a lease agreement or lack thereof.

Thank you again for the opportunity to respond, and I look forward to supporting the objectives of your review and contributing to its successful outcome.

Sincerely,

Sue Serino

Sue Serino
County Executive

## Exhibit I: Contract Execution Dates

| Contract Detail of Execution Dates | | | | | | |
|---|---|---|---|---|---|---|
| Expenditure Contracts | | | | | | |
| Dept. | Vendor | Resolution # | Contract # | Term | # of Years | Date Executed |
| BOE | N&N Hyde Park Lease | NO RESOLUTION | 22-0259-8/37-EL | 9/1/2022-8/31/2037 | 15 | 5/18/2022 |
| BOE | North Point Centre, LLC | NO RESOLUTION | 21-0115-3/36-EL | 4/1/2021-3/31/2036 | 15 | 3/8/2021 |
| Central Services | Taconic Realty Associates, LLC | 2017237 | 20-0269-4/35-PU | 5/1/2020-4/30/2035 | 15 | 2/7/2020 |
| Co Clerk | Hunter Rental Properties, LLC | NO RESOLUTION | 13-0058-12/14-CK-A13 | 1/1/2025-12/31/2025 | 1 | 1/2/2025 |
| Co Clerk | Marshall 31, LLC | 900073 | 90-0222-5/95-A18 | 1/1/2025-12/31/2025 | 1 | 1/2/2025 |
| DA | 40 Garden St., LLC | NO RESOLUTION | 22-0113-5/32-DA | 5/1/2022-4/30/2032 | 10 | 3/3/2022 |
| DA | 40 Garden St., LLC | NO RESOLUTION | 25-0184-4/28-DA | 5/1/2025-4/30/2028 | 3 | 4/22/2025 |
| DA | DPW - Airport Division | N/A<br>Local Law 6-2015 | 21-0034-12/21-AV-A4 | 1/1/2025-12/31/2025 | 1 | 12/5/2024 |
| ER | 27 High Street Lofts, LLC | NO RESOLUTION | 19-0025-2/22-SH-A3 | 3/1/2024-2/28/2026 | 2 | 8/16/2024 |
| ER/Health | DPW - Airport Division | N/A<br>Local Law 6-2015 | 23-0189-12/23-AV-A2 | 1/1/2025-12/31/2025 | 1 | 12/9/2024 |
| Health | Page Park Associates, LLC | NO RESOLUTION | 12-0210-HD-A4 | 2/7/2020-12/31/2033 | 13 | 2/7/2020 |
| Veteran's | Page Park Associates, LLC | NO RESOLUTION | 12-0210-HD-A4 | 2/7/2020-12/31/2033 | 13 | 2/7/2020 |
| Planning | Page Park Associates, LLC | 2017237 | 12-0210-HD-A4 | 2/7/2020-12/31/2033 | 13 | 2/7/2020 |
| Health | Family Services, Inc. | NO RESOLUTION | 23-0267-5/24-BCH-A2 | 6/1/2025-12/31/2025 | 1 | 5/2/2025 |
| OFA | CNN Spruce, LLC | NO RESOLUTION | 19-0001-12/28-OA-A1 | 4/1/2021-12/31/2033 | 12 | 3/8/2021 |
| PD | 45 Jackson Street, LLC | NO RESOLUTION | 22-0277-1/32-PD | 9/1/2022-1/31/2032 | 10 | 6/6/2022 |
| Veteran's | Mental Health America | NO RESOLUTION | 22-0510-10/32-BCH | 11/1/2022-10/31/2032 | 10 | 10/20/2022 |
| Youth | Page Park Associates, LLC | NO RESOLUTION | 12-0210-HD-A7 | 6/1/2022-12/31/2033 | 11 | 4/21/2025 |
| DPW Buildings | Town of Beekman | 920207 | 92-0534-8/07-PW-A4 | 4/1/2023-3/31/2024 | 1 | 11/30/2023 |
| DPW Buildings | Town of Beekman | 2024223 | 24-0602-12/34-PW | 12/3/2024-12/2/2034 | 10 | 12/26/2024 |
| DPW Buildings | US Department of Agriculture | NO RESOLUTION | 05-9999-12/09-PW-A6 | 1/1/2023-12/31/2025 | 2 | 3/17/2023 |
| DPW Buildings | Cornell Cooperative Extension | NO RESOLUTION | 16-0406-9/21-PW-A2 | 9/1/2021-8/31/2026 | 5 | 9/2/2021 |
| Mental Health | Rehabilitation Support Services, Inc. | NO RESOLUTION | 18-0753-12/20-BCH-A5 | 1/1/2025-12/31/2025 | 1 | 1/30/2025 |
| DPW - Parks | DBH Hudson Valley | 2021088 & 2023142 | 22-0257-12/46-PK-A1/2 | 1/1/2022-12/31/2046 | 25 | 12/21/2021 |
| Mental Health | Access Supports for Living | NO RESOLUTION | 23-0019-12/23-BCH-A2 | 1/1/2025-12/31/2025 | 1 | 12/3/2024 |
| Mental Health | Family Services, Inc. | NO RESOLUTION | 24-0554-12/24-HD-A1 | 1/1/2025-12/31/2025 | 1 | 12/12/2024 |
| Mental Health | Family Services, Inc. | NO RESOLUTION | 24-0514-12/24-DMH-A1 | 1/1/2025-12/31/2025 | 1 | 3/25/2025 |
| DPW - Parks | Michael Cooper | NO RESOLUTION | 25-0344-4/26-PW | 5/1/2025-4/30/2026 | 1 | 8/20/2025 |
| Mental Health | Astor Services for Children and Families | NO RESOLUTION | 25-0420-12/28-DMH | 1/1/2025-12/31/2028 | 3 | 9/29/2025 |

# Appendix I: Glossary of Terms

**Balance Sheet:** A financial statement that discloses the assets, liabilities, and equity of an entity at a specified date in accordance with GAAP (Generally Accepted Accounting Principles).

**Deferred Inflow of Resources:** Revenue received for a future reporting period.

**Fit-Up:** The construction or interior work required to make a space ready for a tenant's use.

**Ground Rent:** Recurring payment made for the use of land often occurring when a property owner only owns the building and not the land the building is located on.

**In-Kind:** The substitution of goods or services in lieu of money.

**Lessee:** Tenant

**Lessor:** Landlord

**Liability:** A financial obligation that must be repaid.

**Right to Use Asset:** An asset that represents a tenant's contractual right to use a leased item or property for a defined period, as specified in a lease agreement.

**Soft Costs:** In construction soft costs are expenses not directly linked to the physical construction of a building or structure, i.e., planning and design costs, legal fees, etc.

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