

OFFICE OF THE DUTCHESS COUNTY COMPTROLLER

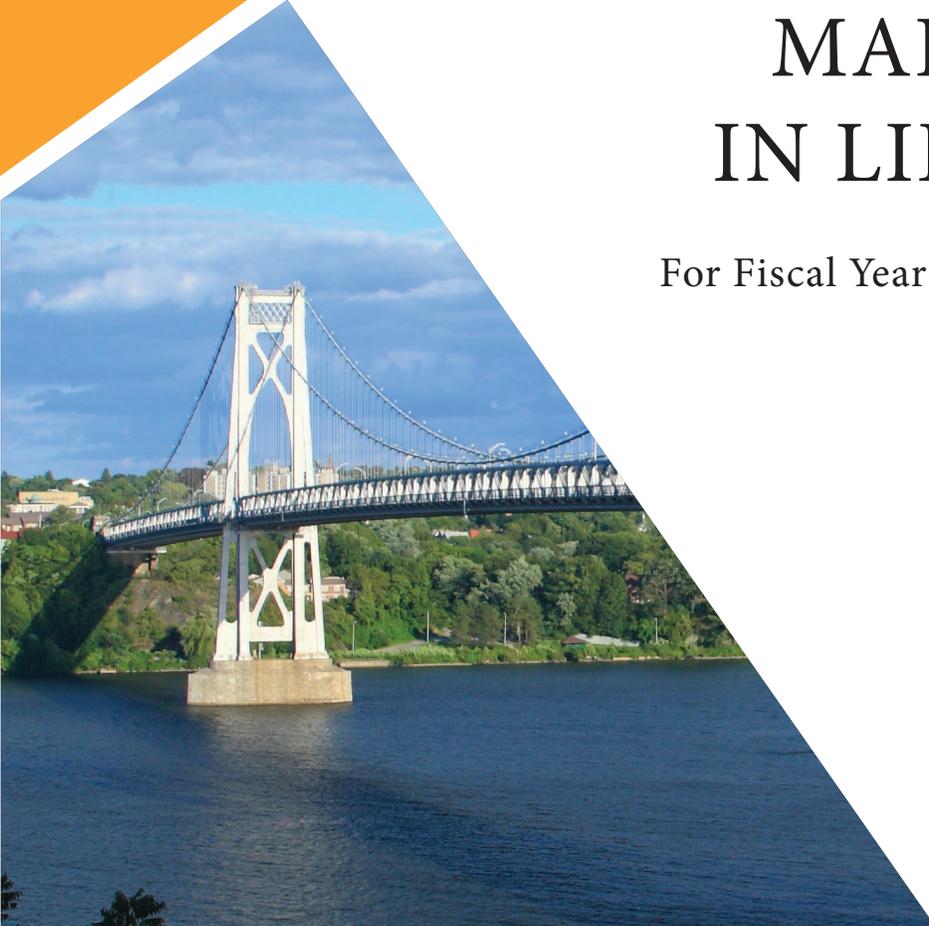


AUDIT REPORT MAINTENANCE IN LIEU OF RENT

For Fiscal Year Ending December 31, 2018

**ROBIN L. LOIS
COMPTROLLER**

DECEMBER 2019



Office of the Comptroller

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Robin L. Lois

Comptroller

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Dear County Officials & Taxpayers,

The Dutchess County Comptroller's Office has completed an audit report of the 2018 Maintenance in Lieu of Rent (MLR) report, produced annually by the Department of Public Works (DPW). DPW compiles this data to compute occupancy related costs for the maintenance of County owned buildings. These costs may be billed to departments that are able to claim such expenses as direct program costs for the purpose of receiving state and/or federal revenue. This analysis is also important to accurately bill entities that occupy space in county buildings, identify costs for the Airport and Public Transit enterprise departments, and to verify the information which is used in preparation of the County's Indirect Cost Allocation Plan (ICAP). A separate report of the ICAP was published by this office in October of this year.

Our objective was to validate the process and calculations prepared, review the billings for accuracy, confirm collections, and recommend process improvements.

We determined that DPW continues to make improvements in streamlining their process for capturing and analyzing the needed data over the past few years. Our review found minor calculation errors that DPW immediately fixed and indicated they have implemented additional checks to spreadsheets for enhanced accuracy.

Our office recommended improved procedures to ensure leases and contracts are kept current, and allocations for phone charges are validated. In addition, the Comptroller's Office will review the calculation report provided by DPW earlier in 2020.

We appreciate DPW's professionalism and assistance in accommodating our office's requests for information needed to conduct this audit.

Respectfully submitted,



Robin L. Lois

Dutchess County Comptroller

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BACKGROUND AND ORGANIZATION

The Dutchess County Department of Public Works (DPW) prepares a report annually, detailing the Maintenance in Lieu of Rent (MLR). Maintenance in Lieu of Rent is a procedure for computing occupancy related costs for the maintenance of county owned buildings processed through DPW Buildings Division. The data compiled in the MLR report is primarily used to provide an accounting of all such costs for each county building. The results are used to: bill county departments which may be able to claim state and federal revenue; to bill agencies that occupy space in county buildings; to identify costs for the enterprise funds (Aviation and Public Transit); and have the information available for the preparation of the indirect cost allocation plan (A-87).

AUDIT SCOPE, OBJECTIVES, AND METHODOLOGY

This audit was conducted to review the processes and information utilized by DPW to prepare the Maintenance in Lieu of Rent report for the year ending 2018. A total of \$7,301,545 was recorded as MLR expenses in the revised 2018 report. *Note: All revisions could not be incorporated by DPW but will be considered for the 2019 report.* Attached as Exhibit I is the listing of MLR costs by building location. A total of \$1,037,442 was billed by DPW as follows: County departments \$566,901, Contract agencies \$121,099 and the Court system \$349,442. Additionally, funds are received via the indirect cost claim for the Department of Community & Family Services as part of the Indirect Cost Allocation Plan (A-87 plan).

Objectives and methodology include the following:

- Review and validation of DPW's process for obtaining and recording the MLR expenses including: the recording of expenses to the various locations and the methodologies used for allocations.
- Review the billings to departments and agencies for accuracy and completeness.
- Review of the county revenue posted from billings was accurate.
- Identify and recommend process improvements.

OBSERVATIONS AND COMMENTARY

Overall, the processes used by DPW for obtaining the MLR expense information have improved. Information is well organized and could be validated to most of the report. Formula and calculation errors were noted in the MLR spreadsheet. DPW indicated they had made changes, where possible, to the spreadsheet and would incorporate all agreed upon changes in the 2019 spreadsheets. Additional checks to the spreadsheet have also been introduced to catch cell errors. In addition, DPW indicated they will continue to look for ways to streamline and better capture building maintenance costs.

The errors noted by our office were discovered after the information was sent to consultant for the Indirect Cost Allocation report. The Comptroller's Office will change the timing of reviewing the MLR information for 2019 to assist in identifying and correcting anomalies prior to release to the consultant in 2020.

DPW has continued to bill the departments and agencies which can pay costs related to Maintenance in Lieu. As noted in the 2017 Audit "The Dutchess County Water, Wastewater Authority" is not billed by DPW. This agency was billed \$10,000 and paid the Dutchess County Division of Water Resources in 2018. This will not occur in 2019 as the Water and Wastewater Authority has moved to its own building.

EXPENSE AND CONTRACT REVIEW

DPW primarily captures the information for the MLR for labor costs and other transactions from two internal reports: The Project Transaction Report and the Project Time Attendance Report. Both reports are run quarterly to account for all expenses associated with each building location.

Observations/Findings:

- Although the county has not signed a lease agreement for 378 Violet Avenue, expenses were allocated in the MLR. DPW indicated these expenses were related to the design of the print shop renovations required at the lease site.
- Total salaries reported were verified to the county's financial management system. DPW's methodology uses an average hourly rate (by employee) to allocate the number of hours worked at a location for building staff. We noted a variance which was immaterial.
- Contracts for agency billings were reviewed. The contract with Lexington Center for Recovery had expired; there was no contract for Rehabilitation Support Services.
- The expense allocation for telephone services labor is calculated based on the number of telephone lines by locations; the number of lines by location is compiled by the Central Services department. We have requested that Central Services review and update this information for 2019.
- The MLR Report was reviewed for accuracy. We noted calculation and formula errors in the final report; the report is being revised.

Recommendations:

- Procedures should be put in place to ensure leases/contracts are kept current.
- Procedures should be put in place for validation of phone lines by location on an annual basis by Central Services.
- Additional efforts by DPW of calculations and allocations, prior to distribution of the MLR report would assist in the verification of the information. In addition, the Comptroller's Office will review the report earlier in the future.

BILLINGS TO DEPARTMENTS AND AGENCIES

DPW bills reimbursable County departments and some contract agencies on a quarterly basis. Certain contract agencies are not billed but pay per the lease. Reimbursement for County departments may include state or federal revenue sources. We reviewed the accuracy of the bills and found no discrepancies. In 2018 a total of \$566,900 was billed to and received from County departments, and a total of \$121,099 was received from contract agencies. **Exhibit II** shows the billings to each department and **Exhibit III** shows the rental billings to contract agencies.

In addition to the County departments and contract agencies, DPW claims selected court cleaning and minor repair expenses to the New York State Unified Court System (NYS UCS). In 2018, an amount of \$349,442 was reported in the revenue for the 2017-2018 claim. While there was a claim for April 1, 2018 through March 31, 2019 amounting to \$407,705, NYS UCS paid \$383,789, this was the 2018-2019 contractual maximum amount payable, which was reported for as revenue in 2019.

REVENUE COLLECTED BY DEPARTMENTS AND AGENCIES

Most reimbursable County departments are billed by DPW through the Miscellaneous Billing Module in the County's Financial Management system. DPW enters a billing and payment amount for each reimbursable County department. The expense is usually charged to general ledger expense account 4628.84 (Inter-departmental expense – Maintenance in Lieu) while revenue to DPW is charged to the A.1620.4629 (Inter-department expense). The revenue received from the departments offsets the actual cost DPW incurs for maintenance costs.

EXHIBIT I - MAINTENANCE IN LIEU OF RENT BY LOCATION

Location	Amount
10 Market St	\$ 592,304.14
100 & 108 Parker Ave. (Taylor Building)	53,431.45
150 North Hamilton St	319,477.25
168 Washington St	67,773.09
170 Washington St	96,407.70
22 Market St + Booth for Parking	1,317,862.09
228 Main St	84,151.11
230 North Rd	431,868.00
235 Main St	10,932.40
236 Main St	252,174.71
27 High St.	387,476.50
29 No. Hamilton St.	5,117.65
378 Violet Ave	17,172.50
45 Market St	19,612.25
47 Cannon St	134,708.05
488 Main St & Picnics-Aging	65,292.92
50 Market St	593,288.57
60 Market St	504,479.48
85 Civic Ctr - Health Department	43,201.80
Airport	190,896.98
Amenia Outpost	12,294.93
Auto Center	94,452.69
Beacon Center	281,871.71
Beekman Outpost	14,962.07
Clove Mountain - Emergency Response	1,585.57
Consumer Affairs	30,558.85
Motor Vehicle - Pawling	4,888.42
Motor Vehicle - Millbrook	4,359.40
Motor Vehicle - Wappinger Falls	22,185.26
Eastern Dutchess Government Center	282,572.31
Electric Vehicle	3,381.80
Emergency Response	143,141.71
Farm & Home Center	99,973.49
Highway	403,365.95
Intermodal	2,910.94
Mental Hygiene - ITAP	13,509.22
Public Transit	142,200.00
Millbrook Outpost	15,939.58
MLR 85 Civic Ctr - Planning	11,718.21
OCIS	202,793.61
Bowdoin Park	116,909.78
Quiet Cove	15,391.96
Wilcox	54,011.27
Pocket Park & Parks-Tivoli	197.98
Pine Plains Outpost	13,786.66
Rhinebeck Outpost	9,835.36
Stadium	110,228.20
Unallocated Difference	4,889.82
Total Expenses	\$ 7,301,545.39

EXHIBIT II - DEPARTMENT BILLINGS

	Billed and Received
Office for the Aging	
Office for the Aging	\$29,003.00
NY Connects	57,127.00
Office for the Aging Total	\$86,130.00
Department of Behavioral and Community Health	
Communicable Disease Control Clinic - 29 N. Hamilton St	\$1,553.62
Beacon Center	18,681.90
Eastern Dutchess Government Center	11,421.84
85 Civic Center Plaza	6,615.92
DBCH Total	\$38,273.28
Department of Community and Family Services	
60 Market St	\$266,292.80
Beacon Center	3,801.48
Eastern Dutchess Government Center	15,924.85
DCFS Total	\$286,019.13
Youth Bureau	\$3,264.00
Airport	\$43,092.95
Public Transit	
Public Transit	\$75,837.64
Intermodal	34,283.52
Public Transit Total	\$110,121.16
Totals	\$566,900.52

EXHIBIT III - CONTRACT AGENCY RENTAL BILLINGS

Agency	Received
Hudson Valley Mental Health	\$8,251.72
Lexington Center for Recovery, Inc.	10,809.96
Cornell Cooperative Extension	5,919.20
USDA and Soil & Water Rent	19,289.28
Access Supports for Living, Inc.	55,869.95
Rehabilitation Support Services	4,800.00
Beacon 226 Main St LLC	720.00
Astor	14,938.98
DPW Misc. Rental - First Dutchess Quilter, Inc.	500.00
Totals	\$121,099.09

DEPARTMENT RESPONSE

MARCUS J. MOLINARO
COUNTY EXECUTIVE



ROBERT H. BALKIND, P.E.
COMMISSIONER

DAVID C. WHALEN
DEPUTY COMMISSIONER

COUNTY OF DUTCHESS DEPARTMENT OF PUBLIC WORKS

December 9, 2019

Robin Lois, Comptroller
County Office Building, 4th Floor
22 Market Street
Poughkeepsie, NY 12603

RE: Audit of Dutchess County DPW Maintenance in Lieu of Rent (MLR) Annual Reporting

Dear Comptroller Lois:

DPW offers the following response to the Draft Maintenance in Lieu of Rent (MLR) Annual Reporting Audit. It is noted that the MLR annual reporting process was previously audited by the Comptroller's Office in July 2012 and again in October 2018. As noted within your report, the Department has made several operational advances in the way MLR expenses are captured and tracked. Since the previous two audits, the Department has continued to use the County's financial management software system to capture expenses, invoice billable departments, and track revenues. The MLR process continues to be managed by DPW Director of Budget and Finance.

I offer the following specific comments concerning your audit report:

- Recommendations:

Comment: Procedures should be put in place to ensure leases/contracts are kept current.

Answer: DPW agrees, and although the leases in question were handled by DBCH-Mental Hygiene Division, going forward the County will establish internal processes between the County Attorney's Office and departments to be proactive in identifying expiring leases and getting new leases in place.

Comment: Procedures should be put in place for validation of phone lines by location on an annual basis by Central Services.

Answer: DPW agrees, however this is a task that may need to involve multiple departments. With the IP phone system, telephone lines are not assigned to a location, since a number can ring and be answered at multiple locations. Central Services does a

yearly verification with departments on what numbers they have and what organizational set they are charged to. For verification there is an address for each number. It should be noted that where necessary there are additional lines the departments directly pay, which Central Services and DPW do not track.

Comment: Additional efforts by DPW of calculations and allocations, prior to distribution of the MLR report would assist in the verification of the information. In addition, the Comptroller's Office will review the report earlier in the future.

Answer: DPW agrees and will more thoroughly review the MLR spreadsheet for cell errors. The Department has added additional checks to the template. An earlier review by the Comptroller's office would be beneficial before the MLR report is submitted to an outside consultant.

Overall the audit report appears to validate the work done within the Department to constantly improve the MLR process. Since the last audit, the Department has successfully implemented the use of technology to improve the accuracy of MLR expense tracking and billing reconciliation.

The audit appears to be complete and accurate. As with all audits, the Department will use your report and recommendations to improve future MLR accounting and reporting. Thank you for the opportunity to offer this response to the Dutchess County DPW Maintenance in Lieu of Rent (MLR) Annual Reporting Draft Audit.

Sincerely,



Robert H. Balkind, P.E.
Commissioner

- c: D. Whalen, DPW Deputy Commissioner
- M. Aldrich, DPW Director of Budget and Finance



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