

AUDIT REPORT **2020**

MAINTENANCE IN LIEU OF RENT

For Fiscal Year Ending December 31, 2019



**OFFICE OF THE
DUTCHESS COUNTY COMPTROLLER**

ROBIN L. LOIS, COMPTROLLER

JULY 2020

**Office of the Comptroller
Dutchess County**

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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 2019 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).

Our objective was to validate the process and calculations prepared, review the billings for accuracy, confirm collections, and recommend process improvements. It is also a goal to maximize revenue for county facilities which are being utilized by outside agencies to ensure costs are covered.

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 was conducted earlier this year to ensure timely and accurate information was submitted for the ICAP. Our review found minor calculation errors that DPW immediately corrected and were included in the final reports.

Our office recommends exploring opportunities to expand billings to other entities to increase reimbursement to the county to reflect the actual cost of operations for those entities. We also recommend additional indirect cost opportunities be explored for billing enterprise accounts.

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 & Organization

The Dutchess County Department of Public Works (DPW) prepares a report annually detailing the Maintenance in Lieu of Rent (MLR). Data is continuously updated throughout the year by DPW Staff to provide a comprehensive accounting of occupancy related costs for the maintenance of county owned buildings processed through the DPW Buildings Division. The following costs are included in the calculations: Direct Costs including Personnel, Fringe and Supplies, Utilities and Contracts; Indirect Costs including Security, Supervision, Office Support Staff, Shop, Cleaning, Telephone lines and Insurance.

The computations are used to: bill county departments which may be able to claim State and Federal revenue; to bill agencies that occupy space in county owned 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 (ICAP).

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 2019. A total of \$7,237,687 was recorded as MLR expenses. Attached as Exhibit I is the listing of MLR costs by building location. A total of \$964,379 was billed by DPW as follows: County departments \$459,991, Contract agencies \$110,427 and the Unified Court System \$393,961. Additionally, funds are received via the indirect cost claim for the Department of Community & Family Services (DCFS) as part of the Indirect Cost Allocation Plan (ICAP). *A separate report is issued with the ICAP results after the calculations are completed by the consultant.*

Objectives:

- To validate the information prepared by DPW.
- To review the billings to departments and agencies for accuracy and completeness.
- To review the county revenue posted from billings.
- To identify/recommend possible additional revenue sources.
- To maximize the revenues for county facilities which are being utilized by outside agencies.

DPW's process for obtaining the MLR information regarding expenses was reviewed: This included the collection of personnel costs and other expenditures. Revenue was traced to the billing information and the subsequent receipts. Documentation was verified for accuracy.

Overall Observations, Findings, & Recommendations

- As noted in prior reviews, DPW has streamlined the capturing of expenditures for all buildings by utilizing the project accounting module for their payroll in the county's financial management system.
- As recommended last year, the Comptroller's Office did an early review of the MLR information for 2019 and had corrections made prior to its release to the consultant. While there were minor formula and calculation errors noted, all corrections were made in the MLR spreadsheet.
- DPW has continued to bill the departments and agencies which can pay costs related to Maintenance in Lieu. Opportunities may exist to expand billings to other entities to increase reimbursement to the County and to show the actual cost of operations for other entities.
- Indirect costs should be explored for billing opportunities.

Expense & 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:

- 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 staff hours worked at each building location. We noted a variance which was immaterial.
- Total amounts billed were verified to the total expenses reported on the MLR for the Enterprise Fund locations as shown in the chart. Costs below for MLR (second column) have the insurance costs removed as DPW indicated the locations pay insurance direct. As shown, the costs listed for MLR expense exceed the amount billed since indirect costs are not billed. Per DPW, indirect costs are estimates based on allocations.

Location	Billed	MLR less Insurance	Indirect Costs <i>MLR (less insurance) vs Billed</i>
Airport	\$36,691.71	\$166,190.37	\$129,498.66
Public Transit	\$44,577.73	\$80,166.20	\$35,588.47
Public Transit - Intermodal	\$6,224.17	\$7,568.97	\$1,344.80
Totals	\$87,493.61	\$253,925.53	\$166,431.93

- DPW provided an agreement for USDA; however, an executed contract was not in the county’s contract system.
- The MLR was reviewed for accuracy. In our original reviews, we noted calculation/formula errors. The report was revised.
- All amounts billed were paid; it is noted on DPW’s MLR that Mental Hygiene does not pay rent.

Recommendations:

- Lease/contracts should be processed and available with all other county contracts and agreements.
- Additional verification by DPW of calculations and allocations, prior to distribution of the MLR report, would assist in the confirmation of the information. The Comptroller’s Office did an early review of the report and errors were corrected before submission.
- Indirect costs should be explored as a billable expense for enterprise accounts.

Billings to Departments / Agencies

DPW bills County departments that are reimbursed by State or Federally funded programs and some contract agencies on a quarterly basis. Certain contract agencies are not billed but pay per their lease agreement with the County. Reimbursement for County departments may include State or Federal revenue sources. We reviewed the accuracy of the bills and found no discrepancies. In 2019, a total of \$459,990.73 was billed to the County departments and a total of \$110,427.00 was received from contract agencies. **Exhibit II** shows the billings to each department and agency for the past three years and **Exhibit III** shows the rental billings to contract agencies.

In addition to the revenue from 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 2019, a total of \$393,961.00 was recognized in revenue.

In our prior audit (for 2018 costs), there were billings and revenue received for Office for Aging and CASA who were occupants at 27 High Street; in February 2020 they moved from a county owned building to a rental building. DPW stated they did not bill for 2019 as OFA/CASA was supposed to move out in 2018 but was delayed, and no funds were budgeted for 2019.

DPW indicated indirect expenses are not billed.

Revenue Collected by DPW from 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 the billing and respective 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 each department offsets the actual costs DPW incurs for maintenance costs.

EXHIBIT I - COSTS BY LOCATION

2019 MAINTENANCE IN LIEU OF RENT/ COSTS BY LOCATION	
10 Market Street	\$517,486.41
100 Parker Ave. (former Veith Bldg)	8,958.16
108 Parker Ave (LEC)	65,344.65
150 N Hamilton (Jail)	291,806.04
168 Washington Street	63,563.77
170 Washington Street	83,207.71
22 Market Street + Booth	1,362,093.30
228 Main Street	83,407.60
230 North Rd	495,176.18
235 Main Street	9,923.86
236 Main Street	216,526.55
27 High Street	259,335.64
29 No. Hamilton Street	3,885.98
378 Violet Ave	15,595.93
45 Market Street	89,928.20
47 Cannon Street	153,355.45
488 Main Street	33,225.87
50 Market Street	631,606.38
60 Market Street	544,706.72
85 Civic Ctr – DOH	44,182.37
Airport	190,785.49
Amenia Outpost	13,914.63
Auto Ctr	53,543.93
Beacon Ctr	246,404.57
Beekman Outpost	14,080.74
Clove Mtn-Emergency Response	1,429.58
Consumer Affairs	20,500.11
DMV Pawling	3,596.87
DMV Millbrook	4,935.40
DMV Wappinger Falls	10,347.16
EDGC	286,266.10
Elec Vehicle	2,446.97
Emergency Response	169,286.12
Farm & Home	85,585.33
Highway	456,363.56
Intermodal	7,568.97
ITAP	14,844.15
Loop	114,570.67
Millbrook OP	19,739.99
1 Civic Ctr (DA's)	4,380.69
MLR 85 Civic Ctr – Planning	14,021.62
114 Delafield – OFA	56,212.17
OCIS	143,875.97
Bowdoin Park	100,718.34
Quiet Cove	16,412.99
Wilcox	57,206.50
Pocket Park & Parks-Tivoli	894.45
PBS - Petro Bulk Street	36,207.35
Pine Plains Outpost	8,879.98
Rhinebeck Outpost	11,309.39
Stadium	92,577.33
Wastewater Authority	1,644.11
Bardavon	1,754.58
911 Geothermal	1,380.72
Unallocated Difference	683.99
Total	\$7,237,687.29

EXHIBIT II - DEPARTMENTAL BILLING REVENUES, 2017-2019

Departments	2017 Billed & Received	2018 Billed & Received	2019 Billed & Received
<u>Office for the Aging</u>			
Office for the Aging	\$29,003	\$29,003	
NY Connects	\$57,127	\$57,127	
Office for the Aging Total	\$86,130	\$86,130	\$0
<u>DBCH - Health</u>			
Communicable Disease Control Clinic - 29 No Hamilton Street	\$4,250	\$1,554	\$1,215
Beacon Center	\$16,641	\$18,682	\$14,765
Eastern Dutchess Government Center	\$9,147	\$11,422	\$11,076
85 Civic Center Plaza	\$12,295	\$6,616	\$6,394
DBCH - Health Total	\$42,333	\$38,273	\$33,450
<u>Department of Community and Family Services</u>			
60 Market Street	\$283,163	\$266,293	\$316,681
Beacon Center	\$3,405	\$3,801	\$3,130
Eastern Dutchess Government Center	\$11,016	\$15,925	\$15,972
DCFS Total	\$297,584	\$286,019	\$335,783
Youth Bureau	\$3,200	\$3,264	\$3,264
Airport	\$37,226	\$43,093	\$36,692
<u>Public Transit</u>			
Public Transit	\$37,980	\$75,838	\$44,578
Intermodal	\$1,572	\$34,284	\$6,224
Public Transit Total	\$39,553	\$110,121	\$50,802
Totals	\$506,026	\$566,900	\$459,991

EXHIBIT III - CONTRACT AGENCY RENTAL BILLINGS

Contract Agency Rental Billings	2019 Received
Hudson Valley Mental Health	*
Lexington Center for Recovery, Inc.	\$10,809.96
Cornell Cooperative Extension	6,037.60
USDA and Soil & Water Rent	19,289.28
Access Supports for Living, Inc.	55,869.96
Rehabilitation Support Services	4,800.00
Beacon 226 Main St LLC	1,440.00
Astor	12,314.27
DPW Misc. Payments and Adjustments	-134.00
Totals	\$110,427.07

*Hudson Valley Mental Health Contract #16-0178 provided a credit which covered rent due

EXHIBIT IV - 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

July 24, 2020

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:

Thank you for the opportunity to provide comments on the 2020 Maintenance in Lieu of Rent (MLR) audit report. Over the years the Department has made several operational advances in the way MLR expenses are captured and tracked. Many of these improvements are the result of Comptroller audits and assistance from your staff. The MLR process continues to be managed by Mary Aldrich, DPW Director of Fiscal Services in collaboration with the County's Budget Office and the Finance Department.

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 continued to use technology and training to improve the accuracy of MLR expense tracking and billing reconciliation. The Department found it very helpful that your staff were able to conduct an early review of the MLR report and process. Items noted in this early review were corrected and this has improved the report process.

The audit appears to be complete and accurate. As with all audits, the Department will use your report as an opportunity to improve its performance when preparing future MLR annual reporting. Thank you for the opportunity to offer this response to the 2020 Maintenance in Lieu of Rent (MLR) audit report.

Sincerely,

Robert H. Balkind, P.E.
Commissioner

c: D. Whalen, DPW Deputy Commissioner
M. Aldrich, DPW Director of Fiscal Services

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