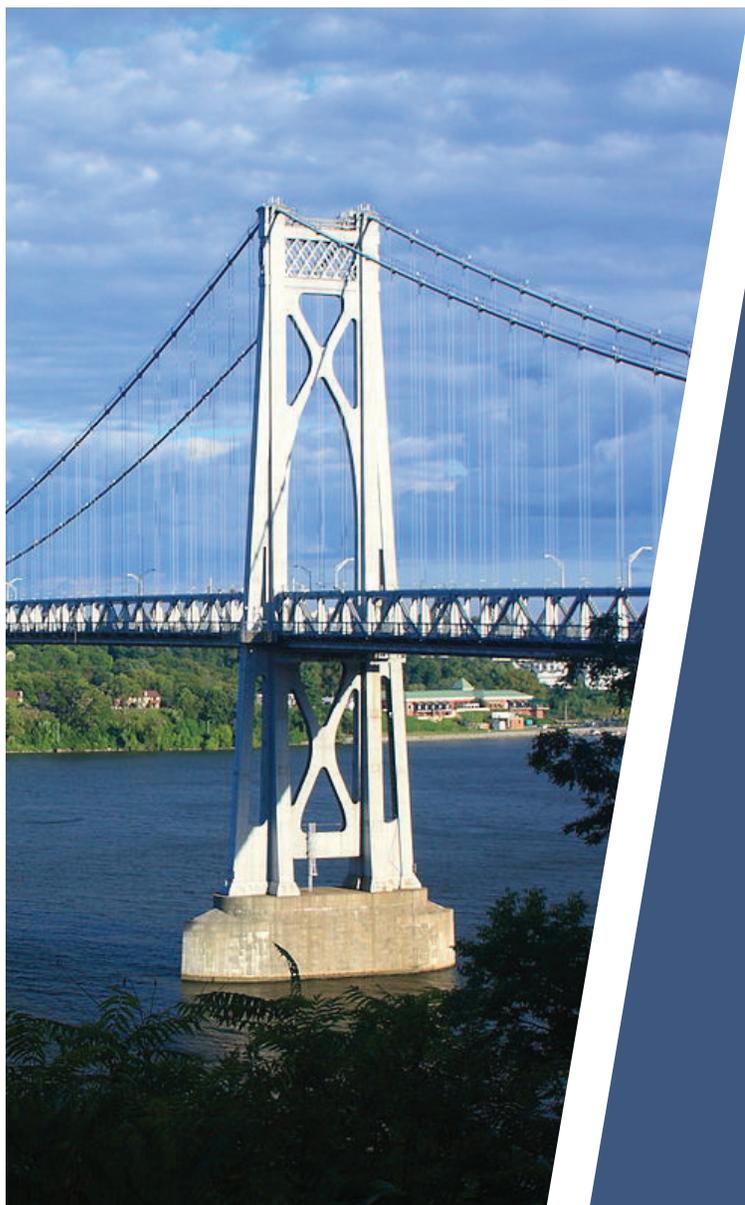


AUDIT
2017 MAINTENANCE
IN LIEU OF RENT



**OFFICE OF THE
DUTCHESS COUNTY
COMPTROLLER**

**ROBIN L. LOIS
COMPTROLLER**

OCTOBER 2018

Office of the Comptroller
Dutchess County

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Robin L. Lois
Comptroller

Karl G. Schlegel
Deputy Comptroller

Dear County Officials & Taxpayers,

The Dutchess County Comptroller's Office has completed an audit report of the 2017 Maintenance in Lieu of Rent (MLR) annual report produced 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 some departments that are able to claim state and federal revenue. This analysis is also important to accurately bill entities that occupy space in county buildings, identify costs for the Airport and Mass Transit enterprise departments, and to verify the information which is used in preparation of the indirect cost allocation plan (A-87). A separate report of the A-87 was published by my office in July of this year.

Our objective was to validate the information prepared, review the billings for accuracy, confirm collections and recommend possible additional revenue sources.

We determined that DPW has made great improvements in streamlining their process for capturing and analyzing the needed data over the past few years. The new process is less labor intensive and more conducive to accuracy and timeliness.

Our office recommended two opportunities for DPW to bill and collect additional funds. We also found minor calculation errors that DPW immediately fixed.

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

Feel free to call my office with any questions or concerns.

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. The data compiled in the MLR report is primarily used to provide an accounting of all such costs for each county building. The information is 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 Mass 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 2017. A total of \$7,501,233.62 was recorded as MLR expenses for 2017. Attached as Exhibit I, is the listing of MLR costs by building location. A total of \$1,081,960.01* was billed by DPW to County departments (\$506,026.21), contract agencies (\$226,416.80) and the court system (\$349,517). Additionally, funds are received via the indirect cost claim for the Department of Community & Family Services as part of the A-87 plan.

Objectives

- To validate the information prepared by DPW.
- To review the billings to departments and agencies for accuracy and completeness.
- To review and compare the billings to revenue collections.
- To identify/recommend possible additional revenue sources.

DPW's process for obtaining the MLR information regarding expenses was reviewed. The billing information and the subsequent receipts were reviewed. Documentation was verified for accuracy.

Overall Findings and Recommendations

- DPW has streamlined the capturing of expenditures for all buildings by utilizing a project accounting module in their payroll and in the county's financial management system. The process utilized in recent years has been upgraded to allow the department to run reports which capture the data rather than a labor intensive – data input of time and expenses. Procedures to account for these expenditures have continuously been refined to capture the information.
- DPW has continued to bill the departments and agencies which can pay costs related to Maintenance in Lieu. However, while reviewing the list of occupants in the various county buildings with DPW we noted that one agency "The Dutchess County Water, Wastewater Authority" was not billed by DPW. This agency was billed and was paying the Dutchess County Division of Water Resources. A total of \$10,000 for rental space on 27 High Street in Poughkeepsie was paid in 2017 and should be remitted to DPW.

**Of this amount \$349,517 has been claimed but the funds have not been received.*

- A total of \$70,201.09 in 2017 capital expenditures (not including interest) was not billed to the Department of Community and Family Services. This department typically is able to claim costs to Federal and State sources, which may decrease the county's cost. DCFS is researching with their State contacts as to what costs for this renovation may be reimbursed. In addition to this amount, funds totaling \$676,943.14 have been expended in 2018 for DCFS (*through 10/10/18*) from capital funds (not including interest).

Process 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.

DPW indicated they began capturing costs through the County's software (Financial Management System Project Accounting Module) in 2014 and have refined their procedures each year to capture all costs by location. Additional reconciliation processes were implemented in 2017 to insure all costs were captured.

As part of our review, we sampled an entire quarter of expenditures verifying all costs were captured. A final spreadsheet of all costs by building is created by DPW from the quarterly cost reports.

While no discrepancies were noted in the quarter verified, we noted there were calculation/formula errors in the final report. The final report did not include totals to check the accuracy of the columns.

Additional review by the department should be instituted to insure errors are noted and corrected prior to distribution of the report.

Billings to Departments/Agencies

DPW bills reimbursable County departments and contract agencies on a quarterly basis. Reimbursement for County departments may include state or federal revenue sources. We reviewed the accuracy of the bills for the third quarter 2017 and found no discrepancies. In 2017, a total of \$506,026.21 was billed to the County departments and a total of \$240,514.80 was billed to 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). The period reviewed for this claim was April 1, 2017 through March 31, 2018. A total of \$349,517 was claimed to the State. However, \$459,837 was originally accrued as revenue in 2018 in the County's financial management system. DPW indicated the entire claim had to be resubmitted because of a NYS UCS audit; the revenue accrual was adjusted in October 2018 after they received the approval for the final claim amount from the NYS UCS.

Revenues collected by Department/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 Cost By Building

COUNTY OFFICE BUILDING		\$ 1,838,238.46
COURTS	Court House 10 Market Street	\$ 564,297.77
	Court House Annex - 236 Market Street	\$ 212,406.30
	Jurors - 228 Main Street	\$ 82,757.99
	Family Court - 50 Market Street	\$ 606,252.88
DEPARTMENT OF MENTAL HYGIENE	230 North Road	\$ 480,240.97
	82 Washington Street (Intensive Treatment Alternative Pgm.)	\$ 22,483.93
BEACON CENTER		\$ 240,854.01
EASTERN DUTCHESS GOVERNMENT CENTER		\$ 240,750.72
DEPARTMENT OF HEALTH	85 Civic Center	\$ 38,662.03
	168 Washington Ave. (Medical Examiner's Office)	\$ 60,905.10
	29 North Hamilton St. - Family Partnership	\$ 3,950.40
CONSUMER AFFAIRS - 98 Peach Road		\$ 27,742.43
DEPARTMENT OF COMMUNITY & FAMILY SERVICES		\$ 528,463.64
27 HIGH STREET (Central Services - Purchasing, Planning, OFA)		\$ 354,827.61
BOARD OF ELECTIONS	47 Cannon Street	\$ 139,205.54
OFFICE OF THE AGING	488 Main Street	\$ 118,108.98
	Senior Picnic	\$ 8,415.68
OFFICE OF COMPUTER INFORMATION SERVICES - 503 Haight Ave & 21 Davis Ave		\$ 165,150.49
AUTO SERVICE CENTER		\$ 69,245.40
HIGHWAY DEPARTMENT - 626 Dutchess Turnpike		\$ 254,929.43
EMERGENCY RESPONSE - 392 Creek Road		\$ 176,143.29
JAIL - 150 North Hamilton		\$ 306,700.20
LAW ENFORCEMENT CENTER 100 & 108 Parker Ave		\$ 84,428.97
PARKS - Wilcox		\$ 57,135.96
PARKS - Bowdoin		\$ 109,584.06
PARKS - Quiet Cove		\$ 9,230.69
PARKS - Pocket Park - Veterans Memorial		\$ 900.84
DEPARTMENT OF MOTOR VEHICLE	Wappinger Falls	\$ 26,253.08
	Pawling	\$ 2,266.39
	Millbrook	\$ 4,018.08
RECORDS RETENTION - 170 Washington Street		\$ 76,212.70
AIRPORT		\$ 200,157.52
DUTCHESS STADIUM		\$ 72,838.55
PUBLIC TRANSIT - 14 Commerce Street		\$ 115,384.01
PUBLIC TRANSIT - Intermodal Loop		\$ 2,558.93
FARM & HOME CENTER		\$ 76,569.79
HIGHWAY OUTPOSTS	Rhinebeck	\$ 13,858.75
	Beekman (incl salt shed)	\$ 27,208.06
	Pine Plains (incl salt shed)	\$ 17,619.68
	Amenia (incl salt shed)	\$ 12,580.80
	Millbrook	\$ 14,842.71
45 MARKET STREET		\$ 36,179.28
TOTAL		\$ 7,501,233.62

Exhibit II - Department Billings

2017	Billed	Received
Office for the Aging		
<i>Office for the Aging</i>	\$29,003.00	\$29,003.00
<i>NY Connects</i>	57,127.00	57,127.00
Office for the Aging Total	\$86,130.00	\$86,130.00
DBCH - Health		
<i>Communicable Disease Control Clinic - 29 N. Hamilton St</i>	\$4,250.21	\$4,250.21
<i>Beacon Center</i>	16,641.25	16,641.25
<i>Eastern Dutchess Government Center</i>	9,146.50	9,146.50
<i>85 Civic Center Plaza</i>	12,295.34	12,295.34
DBCH - Health Total	\$42,333.30	\$42,333.30
Department of Community and Family Services (DCFS)		
<i>60 Market St</i>	\$283,162.92	\$283,162.92
<i>Beacon Center</i>	3,404.85	3,404.85
<i>Eastern Dutchess Government Center</i>	11,016.15	11,016.15
DCFS Total	\$297,583.92	\$297,583.92
Youth Bureau	\$3,200.00	\$3,200.00
Airport	\$37,226.26	\$37,226.26
Public Transit		
<i>Public Transit</i>	\$37,980.34	\$37,980.34
<i>Intermodal</i>	1,572.39	1,572.39
Public Transit Total	\$39,552.73	\$39,552.73
Totals	\$506,026.21	\$506,026.21

Exhibit III - Contract Agency Rental Billings

2017	Billed (\$)	Received (\$)	Difference
Hudson Valley Mental Health	117,421.27	117,421.27	
Lexington Center for Recovery, Inc.	10,809.96	10,809.96	
Cornell Cooperative Extension			
<i>Annual rent</i>	5,880.00	5,880.00	
<i>USDA and Soil & Water Rent</i>	33,693.12	19,293.12	(14,400.00)*
Cornell Cooperative Extension Total	39,573.12	25,173.12	
Access Supports for Living, Inc.	55,869.96	55,869.96	
Rehabilitation Support Services	4,800.00	4,800.00	
DPW Auto - Copart	465.00	767.00	302.00**
Astor	11,475.49	11,475.49	
DPW Misc. Rental - First Dutchess Quilter, Inc.	100.00	100.00	
Totals	\$240,514.80	\$226,416.80	

**Prior to 2017, Soil & Water paid rent to a third party. When the County began maintaining the building, it was determined that Soil & Water should not pay rent as a county subsidized tenant.*

***\$767 should have been credited to line 1640 Auto Center instead of line 1620 DPW Buildings.*

MARCUS J. MOLINARO
COUNTY EXECUTIVE



ROBERT H. BALKIND, P.E.
COMMISSIONER

DAVID C. WHALEN
DEPUTY COMMISSIONER

COUNTY OF DUTCHESS
DEPARTMENT OF PUBLIC WORKS

October 25, 2018

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 should be noted that the MLR annual reporting process was previously audited by the Comptroller's Office in July 2012. As noted within your report, the Department has made several operational advances in the way MLR expenses are captured and tracked. Since the previous audit the Department has initiated use of the County's financial management software system to capture expenses, invoice billable departments, and track revenues. These improved processes have been initiated by Mary Aldrich, DPW Director of Budget and Finance 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 streamline the MLR process and implement the use of technology to improve the accuracy of MLR expense tracking and billing reconciliation. The Department agrees with your recommendation to improve the accuracy of the final MLR report to eliminate formula errors within the final report spreadsheet.

For 2017, the books are closed, therefore, the rent revenue cannot be moved to DPW as recommended. We will however, submit a journal entry to move the 2018 rent revenue from A.8790 Division of Water Resources to A.1620 DPW Buildings. Going forward, the WWA is moving out of County owned space so rent revenue will no longer be recorded.

The audit appears to be complete and the fiscal data appears to be accurate. 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,

A handwritten signature in blue ink, appearing to read "Robert H. Balkind".

Robert H. Balkind, P.E.
Commissioner

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