

Audit Report

Maintenance In Lieu of Rent January 1, 2012 – December 31, 2012

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Background

The Maintenance in Lieu of Rent (MLR) report establishes the cost of operating county owned and leased property for reporting purposes. The County uses data compiled in the MLR to charge departments for space occupied. Reimbursable departments record the expense and claim the costs to state and federal governments, where applicable. Enterprise departments use the billing to reimburse the County for occupancy costs. In addition, the MLR is used for the preparation of the indirect cost allocation plan (A-87). The Department of Public Works (DPW) – Highway Division Business Office and the Buildings Division are responsible for preparation of the MLR.

Objectives

- ❖ Review the processes for obtaining data for the MLR.
- ❖ Validate the information provided in the MLR.
- ❖ Review procedures for billing and revenue collection.
- ❖ Identify /recommend procedural changes which can streamline and provide cost efficiencies.

Summary of Findings and Recommendations

- Some processes and procedures are not documented relating to expense and revenue reconciliation. *All procedures should be documented.*
- While the majority of expenses were claimed, some credit card (p-card), central service inventory items and accounts payable items were not included for billings. A reconciliation process was not in place to identify these exceptions resulting in an incomplete audit trail. Indirect salaries, administration, fringe benefits, insurance and inventory items were not included in billing. *All data for expenses should be reconciled and all costs should be included. Departments can remove those costs they cannot claim; other departments who do not have restrictions should pay the total cost.*
- Requests for reimbursements for rent were not monitored for accrual. *Monitoring procedures should be instituted to ensure the accrual of unpaid bills at year end.*
- Procedures should be streamlined to effect productivity, data integrity and cost efficiencies. *Specifically:*
 - *Data entered at the time of invoice preparation should be formatted for importation into an Excel spreadsheet to streamline and prevent data re-entry errors.*
 - *Payroll data collection methodologies could be streamlined by utilizing an expanded timekeeping software application.*
 - *Stock Inventory should be reviewed for internal control monitoring and direct cost billing. Currently, stock is allocated by square footage and there are no written internal processes to inventory items for plumbing, heating, carpentry and janitorial supplies. DPW reported a total of \$189,219.73 was spent on "STOCK" in 2012.*

Observations

Billing to Reimbursable Departments

A total of \$689,142.50 was billed to reimbursable and enterprise departments. A total of \$351,531.75 was paid. See Addendum 1.

- Mental Hygiene continues to not pay their billings; in 2012 it amounted to \$337,610.75. A 2011 response from DMH pointed to GASB requirements; a 2011 response from the Budget Office

indicated Mental Hygiene does not receive additional reimbursement for MLR as do the Health Department and Social Services. DPW does not budget for reimbursements from Mental Hygiene. *DPW should review and document the situation annually with DMH.*

- DPW budgeted \$465,801.00 in reimbursements for Maintenance In Lieu of rent (*line 4629*); however they only collected \$351,531.75 (monies received for 2012) missing the estimate by \$114,269.25. Most of the over budgeting occurred in the Health Department and DSS; which also occurred in 2011. *Budgeted amounts should be coordinated with reimbursable departments and DPW should adjust their estimates accordingly.*
- Billings for 2012 totaling \$98,873.91 (\$18,349.22 Health Department, \$63,862.17 DSS, \$6,473.59 Airport and \$10,188.93 Mass Transit) were not accrued at year-end resulting in reimbursement being understated in 2012. Reimbursements for 2011 recorded in 2012 amounted to \$34,998.80. *DPW should accrue open reimbursements at year end to correctly report funds to the appropriate year.*
- A 2012 MLR payment from the Airport for \$6,473.59 received in 2013 was not recorded in DPW's line 4629 "Interdept Expense Reimbursement"; *a request for a correction should be submitted to Finance.*
- Office for the Aging does not get billed for actual costs. Per various emails dated in 2010 it was decided to hold the billed amount at the then current level so the department would not have to cut costs in other areas. A review of expenses from 2010-2012 indicates the department did not expend its entire budget. *Actual costs should be billed and if reimbursement is limited it will be reflected in the payment. DPW should review and document the situation annually. All expenses are not considered for billing; See Addendum 4.*
 - Indirect salaries, including Administrative Staff, Office Personnel, Security Staff, and Supervisors for Security, Maintenance, Cleaning and HVAC, are not included in the billing; in 2012 it amounted to \$1,022,572.77.
 - Fringe Benefits are also not considered for most Indirect Salaries.
 - Other than personnel expense lines used for billing were not reconciled to the Budget Performance Report. Per our reconciliation the Budget Performance Report indicated \$163,583.06 in excess of what was captured for billing purposes. Some of these expenses were credit card (p-card) purchases, year end accruals and contract payments. Additionally, lines not billed amounted to \$23,519.67; therefore a total of \$187,102.73 was not billed.

All expenses should be considered for billing so a true cost of operation is obtained.

MLR for A87 Totals

The A87 MLR reported a total of \$5,705,497.08 in expenses. Direct expenses amounted to \$3,868,962.57 and Indirect Costs \$1,836,534.51. Expense categories were reviewed. See Addendum 2.

Defined Processes

MLR for Billing

Payroll and Direct costs for buildings are tracked from paid invoices and payroll. Invoice information is sent from DPW-Buildings to DPW-Highway and input by the Office Assistant at DPW-Highway. The Office Manager at DPW-Highway is responsible for payroll and is assisted by Senior Program Assistants. Information is collected from individual DPW direct labor time sheets. Individuals at DPW-Highway run reports from the Payroll system which is entered into an Excel spreadsheet and from the timesheets to account for each individual's time worked at various county Buildings. Information is entered weekly for payroll and invoices into Excel spreadsheets. DPW Highway did not have authority to view LOGOS reports for DPW Buildings; therefore validation of expense information was not performed.

Quarterly billings are prepared from the quarterly compilation of expenses. DPW Highway prepares and sends out bills. The Department of Finance records reimbursements received from departments in DPW-Buildings line item 4629 – “Interdept Expense Reimbursement”. DPW– Buildings is responsible for monitoring reimbursements recorded in line 4629 to ensure payment is received.

MLR for A87

The MLR report information as stated above for MLR billing also is updated to include fringe benefits, indirect costs: personnel and other than personnel costs. Indirect personnel costs consist of Security, Office Support, Administration, Telephone, and Supervisory staff. Other than personnel costs are comprised of supplies from stock (which represents items purchased for general use) and property and boiler insurance. Indirect costs are allocated by methodologies such as square footage; number of telephone lines per building and a fringe benefit rate. Process detail for selected expenditures is shown on Addendum 3.

Addendum 1 Billing to Reimbursable Departments

2012	Maintenance in Lieu of Rent Invoices		
	Budget	Billed	Paid
DMH - 230 North Rd		\$229,382.91	0
DMH - 26 Oakley		949.19	0
DMH - Beacon Center		45,864.49	0
DMH - EDGC		58119.43	0
DMH - Hopewell		259.48	0
DMH - ITAP		1,608.01	0
DMH - Mansion Street		253.18	0
DMH - Rhinebeck		<u>1,174.06</u>	<u>0</u>
Mental Health Total	\$0.00	\$337,610.75	\$0.00
Health - 387 Main		\$10,916.54	\$10,916.54
Health - Beacon Center		22,692.97	22,692.97
Health - EDGC		15,293.41	15,293.41
Health - Early Intervention		<u>1278.95</u>	<u>1,278.95</u>
Health Total	\$69,162.00	\$50,181.87	\$50,181.87
Department of Social Services		\$152,563.20	\$152,563.20
DSS - EDGC		<u>12,559.77</u>	<u>12,559.77</u>
DSS Total	\$165,023.00	\$165,122.97	\$165,122.97
Office of the Aging	\$27,740.00	\$27,740.00	\$27,740.00
NY Connects (formerly CASA)	\$53,040.00	\$53,040.00	\$53,040.00
Youth Bureau Beacon	\$2,100.00	\$2,100.00	\$2,100.00
Youth Bureau EDGC	\$3,200.00	\$3,200.00	\$3,200.00
TOTAL Reimbursable Departments	\$320,265.00	\$638,995.59	\$301,384.84
Enterprise Funds			
Airport	\$18,500.00	\$21,650.12	\$21,650.12
Mass Transit	\$30,000.00	\$27,509.08	\$27,509.08
Intermodal – Mass Transit	<u>\$0</u>	<u>\$987.71</u>	<u>\$987.71</u>
Grand Total	<u>\$368,765.00</u>	<u>\$689,142.50</u>	<u>\$351,531.75</u>

Addendum 2 MLR for A87 Totals

A87 Expenses

	Direct	Indirect	Total
Personnel	\$1,057,406.28	\$1,161,638.03	\$2,219,044.31
Fringe Benefits	546,757.51	319,836.41	866,593.92
Supplies, Utilities, Contracts, etc	2,264,798.78	193,507.07	2,458,305.85
Insurance		<u>161,553.00</u>	<u>161,553.00</u>
Total	<u>\$3,868,962.57</u>	<u>\$1,836,534.51</u>	<u>\$5,705,497.08</u>

Addendum 3 Process Detail for Selected Expenditures

Personnel

- Each pay period, DPW Buildings provides DPW Highway with each employee's direct labor time sheet that lists the hours worked in each building for each day.
- Highway downloads an "Hours Analysis Report" from the LOGOS Payroll system into Excel to format a report to include additional data such as building location.
- Highway verifies the hours reported on the employee's time sheet matches the LOGOS report which provides total daily hours worked. Discrepancies are investigated and resolved by Highway contacting DPW Buildings.
- Highway uses the Excel worksheet to record time spent daily by each employee by building location.
- The employee's rate of pay is used to calculate the cost for each building.
- When there is an adjustment to an employee's previously reported time, the worksheet has to be adjusted.
- Each pay period is verified.
- Personnel costs are compiled quarterly and annually for each building.

Fringe Benefits

A Fringe Benefit rate is provided by the Comptroller's Office. This rate is computed using data from the Annual Financial Report published by the Finance Department.

Supplies, Utilities, Contracts

- DPW Buildings processes invoices for building supplies, utilities and contracts.
- When the invoice is entered into LOGOS for payment, the building location is noted in the description field along with other information such as contract #. *Finding: Since additional data is in the description field, this field cannot easily be used to sort solely by building location.*
- Weekly, DPW Buildings provides Highway with a bundle of invoices and an invoice report. *Finding: Data integrity - invoices and the invoice report are not summarily verified to ensure all invoices are matched to the report.*
- Highway prepares an Excel worksheet to collect costs assigned directly to each building. Data is entered from each invoice. This worksheet is used as supporting documentation for the quarterly billing of MLR.
- Highway returns the invoices to DPW Buildings after entering them into the Excel worksheet.
- On a quarterly basis, the information is sorted by location to establish total costs for a particular building.
- Costs are used for quarterly billing of reimbursable departments.

Addendum 4 Expenses Billed

EXPENSES OTHER THAN SALARIES	BPR	Billed	Difference
4102 Parts & Supp	\$384.38	\$384.38	\$0.00
4105 Bldg & Mntce Parts Supp Tools	116,581.96	115,410.23	1,171.73
4118 Field Supplies	492.53	492.53	0.00
4123 Safety Supplies	1,255.66	1,269.45	-13.79
4126 Fuel Oil Heating	104,096.01	100,096.01	4,000.00
4127 Propane Gas	2,053.08	2,053.08	0.00
4130 Gasoline	2,300.80	1,450.80	850.00
4137 Ice Control Materials	399.80	399.80	0.00
4160 Office Supplies	4,027.99	2,360.50	1,667.49
4190 Uniforms Badges Access	6,066.00	6,049.00	17.00
4210 Gas Public Utilities	133,313.91	128,145.97	5,167.94
4220 Electric Light Power	634,340.00	557,834.57	76,505.43
4240 Water	47,236.95	37,839.93	9,397.02
4401 Professional Services	47,910.00	5,315.00	42,595.00
4418 Lab Fees	1,500.00	1,638.00	-138.00
4460 Comm Printing	971.20	971.20	0.00
4570 Rntl/Lse Equip Short & Long Term	17,213.79	16,713.79	500.00
4571 Rntl/Lse Real Prop Long term	339,588.40	338,247.67	1,340.73
4606 Janitorial Supplies	571,830.00	570,260.54	1,569.46
4607 Prof License & Permit Fee	5,387.00	5,087.00	300.00
4609 Mtce service Contracts	178,624.91	166,685.56	11,939.35
4611 Refuse Removal	45,668.77	41,974.41	3,694.36
4612 Repairs/Alt Equip	176.27	176.27	0.00
4613 Repairs/Alt Real Prop	216,851.55	222,969.77	-6,118.22
4614 Security Services	102,000.00	92,324.05	9,675.95
4625 Pest control	3,101.00	3,354.00	-253.00
4650 External Postage	1,791.22	1,676.61	114.61
4670 Subscriptions	1,560.00	1,960.00	-400.00
4680 Taxes on Prop County Owned	24,658.02	24,658.02	0.00
Total	<u>\$2,611,381.20</u>	<u>\$2,447,798.14</u>	<u>\$163,583.06</u>
Other Lines not included in Billing	BPR		
2500.05 Other Equipment	\$8,510.12		
4626.75 Employee Allowance Meals Tax	2,106.80		
2628.51 Interdept Land lines	10,428.35		
2628.52 Interdept Cell Phones	2,129.40		
4628.79 Interdept Printing	60.00		
4631 Training seminars/Conf	<u>285.00</u>		
TOTAL	<u>\$23,519.67</u>		

SALARIES	BPR	Billed	Not Billed
Total Salaries	\$1,887,402.80		
Parking Lot Attendants		\$38,107.73	
Maintenance		480,368.44	\$115,797.05
HVAC		212,551.65	37,648.16
Cleaning		133,802.21	26,324.14
Security			154,571.81
Cleaning & Security Supervisor			54,728.21
Maintenance Supervisor			100,084.39
HVAC Supervisor			76,408.15
Office Staff			442,383.60
Unknown			14,627.26
Total	\$1,887,402.80	\$864,830.03	\$1,022,572.77