

Audit Report

Maintenance In Lieu of Rent January 1, 2011 – December 31, 2011

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Background

The Maintenance in Lieu of Rent (MLR) report establishes the cost of operating owned 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. 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 were not documented relating to expense and revenue reconciliation. *All procedures should be documented.*
- While the majority of expenses were claimed, p-card and central service inventory items and some 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. *All data for expenses should be reconciled and all costs that are claimable should be included.*
- All revenue billed was not monitored for timely collection, accrual and reconciliation. Billings totaling \$280,106.15 for Mental Hygiene were billed and not paid. In addition, other expenditures totaling \$34,998.80 were not accrued as revenue in 2011 and correction of a 2010 error for \$55,155.57 resulted in an understatement of 2011 revenues totaling \$90,154.37. *Monitoring procedures should be instituted to ensure prompt collection and to ensure all billings include year-end accruals to reflect revenue accurately and eliminate errors.*
- Billing costs did not include administration, fringe benefits, insurance and inventory items. *These expenses should be considered for MLR billings to reimbursable departments.*
- 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 Excel to streamline and prevent errors of data re-entry.*
 - *Cost efficiencies could be realized if MLR reporting is completed by the data source division DPW-Buildings.*
 - *Revenue collection monitoring should be evidenced through written documentation.*
 - *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. A total of \$166,141.27 was spent on "STOCK" in 2011.*

Observations

Billing to Reimbursable Departments

A total of \$643,776.64 was billed to reimbursable and enterprise departments. A total of \$363,647.75 was paid. See Addendum 1.

- Mental Hygiene does not pay their billings. A response from DMH points to GASB requirements; a response from Budget indicates Mental Hygiene does not receive additional reimbursement for MLR as the Health Department and Social Services. DPW does not budget for reimbursements from Mental Hygiene.
- DPW did not reach their budgeted revenue of \$451,387.00 for line 4629 "Interdept Expense Reimbursement"; DPW noted higher amounts for Social Services and the Health Department were budgeted based on prior year trends; however, there has been a decline in services needed resulting in a decrease in billing/revenue.
- Billings for 2011 totaling \$34,998.80 (\$20,018.85 for the Health Department and \$14,979.95 for Mass Transit) were not accrued at year-end resulting in the subsequent payments recorded as revenue in 2012.
- DPW – Buildings line 4629 "Interdept Expense Reimbursement" shows corrections of prior year errors amounting to \$55,155.57 resulting in an understatement.

MLR for A87 Totals

The A87 MLR reported a total of \$5,950,418.30 in expenses. Direct expenses amounted to \$3,972,229.07 and Indirect Costs \$1,978,189.23. 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

2011	Maintenance in Lieu of Rent Invoices		
	Budget	Billed	Paid
DMH - 230 North Rd		\$234,496.77	0.00
DMH - 26 Oakley		1,038.34	0.00
DMH - Beacon Center		41,955.38	0.00
DMH - EDGC		0.00	0.00
DMH - Hopewell		298.14	0.00
DMH - ITAP		1,661.24	0.00
DMH - Mansion Street		176.85	0.00
DMH - Rhinebeck		479.43	0.00
Mental Health Total	\$0.00	\$280,106.15	\$0.00
Health - 387 Main		\$13,169.45	\$13,169.45
Health - Beacon Center		36,682.66	36,682.66
Health - EDGC		13,252.72	13,252.72
Health - Early Intervention		719.72	719.72
Health Total	\$92,910.00	\$63,824.55	\$63,824.55
Department of Social Services		\$170,036.41	\$170,036.41
DSS - EDGC		10,611.35	10,611.35
DSS Total	\$238,023.00	\$180,647.76	\$180,647.76
Office of the Aging	\$27,740.00	\$27,740.00	\$27,740.00
NY Connects (formerly CASA)	52,000.00	52,000.00	52,000.00
Youth Bureau Beacon	2,000.00	2,000.00	2,000.00
Youth Bureau EDGC	3,200.00	3,200.00	3,200.00
TOTAL Reimbursable Departments	\$415,873.00	\$609,518.46	\$329,412.31
Enterprise Funds			
Airport	\$20,413.00	\$11,252.72	\$11,229.98
Mass Transit	15,101.00	20,274.41	20,274.41
Intermodal – Mass Transit	0.00	2,731.05	2,731.05
Grand Total	\$451,387.00	\$643,776.64	\$363,647.75

Addendum 2 MLR for A87 Totals

A87 Expenses

	Direct	Indirect	Total
Personnel	\$1,113,832.32	\$1,287,655.44	\$2,401,487.76
Fringe Benefits	521,336.61	328,024.22	849,360.83
Supplies, Utilities, Contracts, etc	2,337,060.14	170,669.22	2,507,729.36
Insurance	<u>0.00</u>	<u>191,840.35</u>	<u>191,840.35</u>
Grand Total	<u>\$3,972,229.07</u>	<u>\$1,978,189.23</u>	<u>\$5,950,418.30</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.