



COUNTY OF DUTCHESS
DEPARTMENT OF PUBLIC WORKS

July 24, 2012

James L. Coughlan, Comptroller
County of Dutchess
22 Market Street
Poughkeepsie, NY 12601

Dear Comptroller Coughlan,

The following is offered in response to your Draft Maintenance in Lieu of Rent (MLR) audit report dated July 10, 2012.

Procedure documentation

As you indicated, the Department of Public Works Buildings Division and Highway Construction & Maintenance Division (HCM) collaborate in preparing the quarterly and annual MLR report. Both divisions are currently working to document the processes and practices involved with compilation of the MLR report. The workflow is constantly evolving, and responsibilities have shifted between the two divisions in recent years, which has contributed to incomplete work-flow documentation. It is my intent to provide comprehensive procedure documentation when the Department has established best-practices in the context of utilizing LOGOS and other automation, such as KRONOS timekeeping software. As the workflow is established and tested, documentation will be available for review.

Claimed expenses

The Department is currently working with OCIS to determine if a LOGOS 'project accounting module' would provide a more accurate way of capturing all expenses that are eligible for inclusion within MLR. The goal of this effort is to create a procedure using the County's existing financial management system (LOGOS) to code all MLR expenses, including both operating and/or capital expenses. This would provide the capability for the Division that enters the payment to reconcile expenses, insuring that all eligible expenses are captured for MLR. The Department is considering the expansion of the KRONOS timekeeping system that is currently utilized at HCM Division. Current time keeping at the Buildings Division is done through hand-written payroll sheets completed by each employee. KRONOS would automate this process, reduce inaccurate time reporting, automate data transfer into LOGOS and provide a streamlined approach to collecting payroll data for both MLR and general operations.

Revenue collection & tracking

The Department's current practice is to process expenses at the Buildings Division, and issue invoices to other County agencies from the Highway Construction & Maintenance Division. This arrangement creates obstacles to accurate and timely reconciliation of invoices issued to, and payments received from other agencies. The Department is working to create a more efficient process of creating invoices and posting/tracking

revenues. Part of this process involves Finance Department, since they receive revenues from other County agencies. At the time of the MLR audit, HCM staff was not able to view Buildings Division revenue lines. This situation has been corrected. In addition, Finance Department posts lump sum revenues to the Buildings Division budget lines, so it becomes difficult to determine what portion of any given revenue is MLR, and from which agency(s) it was received.

Inclusion of administrative, fringe benefit, insurance and stock supply costs

Fringe benefit costs are included in the calculated invoice for all County agencies where such costs are reimbursable by a funding program. Where such charges are not eligible, the invoice is so noted. Administrative costs for DPW Buildings office staff are included in MLR, however, HCM office staff are not included in administrative costs. This situation will be corrected so that MLR invoicing will reflect all administrative staff costs. The Department is reviewing Buildings Division inventory practices and will propose inventory control and tracking methods to insure that all stock supply items (construction supplies, paper goods, etc.) will be charged to appropriate agencies through the MLR process.

In summary, the Draft Audit Report identified many areas in which DPW can improve the process of MLR procedure documentation, data collection, billing, revenue collection and record-keeping. The Department is considering all recommendations and is working closely with other departments to improve the entire MLR process. Through the 2013 budget development process, the Department is considering many initiatives that will improve MLR delivery. Such initiatives include the possibility of consolidating payroll functions within the department (currently, each Division performs their own payroll functions,) consolidating business office functions, physically merging business office staff under a single Business Manager, expanding KRONOS to improve payroll data management, utilizing the LOGOS 'project accounting module' to perform MLR expense tracking and reconciliation, as well as other best-management practices.

As the Department moves forward with these improvements, your input will be welcomed to insure that your concerns are being addressed and that you will be confident that DPW's MLR process is being performed using sound accounting principles and practices. Our goals will be to provide for the County's ability to collect as much revenue as possible under the terms of the many grant and funding programs available, and that the MLR is a sound program that can withstand local, state and federal audits.

Please do not hesitate to contact me to discuss the information presented herein.

Sincerely,



Robert H. Balkind, P.E.
Commissioner