

# **Audit Report**

**Maintenance In Lieu of Rent  
January 1, 2013 – December 31, 2013**

# Table of Contents

<b>Background</b> .....	<b>3</b>
<b>Objectives</b> .....	<b>3</b>
Findings.....	3
Observations.....	3
<b>Addendum I</b> .....	<b>5</b>

## 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 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 Department of Mental Hygiene utilizes costs to bill agencies that have space within county buildings. The MLR is also used for the preparation of the indirect cost allocation plan (A-87). The Department of Public Works (DPW) Business Office is 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 budgeting, billing and revenue collection.

## Findings

- The collection of expenses has been streamlined by the application of project accounting from the LOGOS financial system for building expenses and project time accounting for payroll expenses. This efficiency has greatly improved the data collection and data integrity.
- All expenses in the MLR report were not billed to the respective locations. *All costs should be included in billings to ensure all costs are claimed to the maximum available reimbursable amount(s).*
- Revenues totaling \$240,111 were recorded in Mental Hygiene's Department despite the costs originating from the DPW Buildings Department. Expenditures are incurred by DPW Buildings and while DPW Buildings does submit quarterly billings to Mental Hygiene, Mental Hygiene does not pay. The accounting matching principle states that revenue should match expenses and therefore a correction in the handling of these transactions is recommended.

## Observations

### Billing to Departments

A total of \$849,579.92 was reported billed to reimbursable and non-reimbursable departments. While DPW budgeted \$383,620 in reimbursements for Maintenance in Lieu of rent (*line 4629*); actual rents received amounted to \$395,761.97. A detail of the budgeted revenue, the actual billings and payments is attached as Addendum I.

- Reimbursements included some departments paying more than what was budgeted and others paying less than what was budgeted. The Health Department did not pay the entire billed amount as they reduced funding based on what they would be reimbursed.
- A total amount of \$12,505 was not accrued at year-end resulting in reimbursement being understated in 2013. *DPW should notify departments of estimated year end billings to ensure payments are accrued and reported in the appropriate year.*
- The Office for the Aging is not billed for actual costs. Per various emails dated 2010 it was decided to hold the billed amount at the then current level. ***The actual costs should be billed to accurately reflect the expenses incurred on behalf of the department.***

- Mental Hygiene confirmed that they utilize the billing information for informational purposes in verifying their rates to two contract agencies, as well as, the billing of the actual cost of space for another agency and finally for claiming purposes for their funding sources OMH, OPWDD and OASAS. *In reviewing Mental Hygiene's revenues, we noted a revenue account "Rental of Real Property General" where \$240,111.20 was recorded as collected from Agencies occupying space in County Buildings. These rental reimbursements are budgeted by Mental Hygiene and recorded in their revenue when received: However, Mental Hygiene does not have a rental expense line to match the revenue received. DMH is billing for an expense that their department does not pay or incur. The County incurs the expenses via DPW Buildings and therefore it has been recommended to the Budget Office to consider one of the following recommendations or a similar solution be devised to properly account for the transactions:*
  - *DMH pay DPW for maintenance in lieu of rent for each of the facilities based on the actual billings.*
  - *Revenue received should be directly credited to DPW Buildings since they are incurring the expenses.*
- Project Time Accounting is used by building staff to record and allocate time spent at various locations. *Since this is a new process, supervisory staff will be reviewing and approving the data on a regular basis.*
- Staff salaries from department code 5010 DPW Highway Administration are not included in building costs although some staff from this department spend time on the administration of buildings. *A methodology should be developed to allocate time spent by all staff involved in building administration.*

MLR for A87 Totals

2013	A 87 Expenses	Direct	Indirect	Total
Personnel		\$1,028,844.15	\$1,035,638.34	\$2,064,482.49
Fringe Benefits		568,950.81	287,443.70	856,394.51
Supplies, Utilities, Contracts, etc		2,402,756.73	149,092.60	2,551,849.33
Insurance		0	142,036.95	142,036.95
Total		\$4,000,551.69	\$1,614,211.59	\$5,614,763.28

The A87 MLR reported a total of \$5,614,763.28 in expenses. Direct expenses amounted to \$4,000,551.69 and Indirect Costs \$1,614,211.59. Expense categories were reviewed.

Other expenses reported in the MLR for department code A1620 Buildings amounted to \$2,551,849.33. Per LOGOS financial reports, the corresponding expense lines amounted to \$2,692,468.64 for a difference of \$140,619.31. *Not all expense lines were reported in the MLR, for example interdepartmental expense accounts.*

## Addendum I

2013	Maintenance in Lieu of Rent Billing to Departments		
	Adopted Budget	Billed	Paid
DMH - 230 North Rd		\$252,316.85	0
DMH - Beacon Center		75,016.22	0
DMH - EDGC		71,848.67	0
DMH - ITAP		<u>1,429.80</u>	<u>0</u>
<b>Mental Health Total</b>	<b>\$0.00</b>	<b>\$400,611.54</b>	<b>\$0.00</b>
Health - 387 Main		\$45,297.64	\$28,235.04
Health - 85 Civic Center		28,868.35	12,042.03
Health - MEO 168 Washington St.		19,246.94	874.09
Health - Beacon Center		24,346.88	24,346.88
Health - EDGC		13,453.03	13,520.50
Health - 29 N. Hamilton St.		1,012.11	0
Health - Early Intervention 510 Haight Ave		<u>507.45</u>	<u>507.45</u>
<b>Health Total</b>	<b>\$74,180.00</b>	<b>\$132,732.40</b>	<b>\$79,525.99</b>
Department Community Family Services		\$176,206.48	\$176,206.48
DCFS - EDGC		<u>9,581.96</u>	<u>9,581.96</u>
<b>DSS Total</b>	<b>\$176,200.00</b>	<b>\$185,788.44</b>	<b>\$185,788.44</b>
Office of the Aging	<b>\$27,740.00</b>	<b>\$27,740.00</b>	<b>\$27,740.00</b>
NY Connects (formerly CASA)	<b>54,100.00</b>	<b>53,040.00</b>	<b>53,040.00</b>
Youth Bureau Beacon	<b>2,200.00</b>	<b>2,100.00</b>	<b>2,100.00</b>
Youth Bureau EDGC	<b>3,200.00</b>	<b>3,200.00</b>	<b>3,200.00</b>
<b>TOTALS</b>	<b>\$337,620.00</b>	<b>\$805,212.38</b>	<b>\$351,394.43</b>
<b>Enterprise Funds</b>			
Airport	\$16,000.00	\$18,639.08	\$18,639.08
Mass Transit	30,000.00	23,384.89	23,384.89
Intermodal – Mass Transit	<u>0</u>	<u>2,343.57</u>	<u>2,343.57</u>
<b>Grand Total</b>	<b><u>\$383,620.00</u></b>	<b><u>\$849,579.92</u></b>	<b><u>\$395,761.97</u></b>

