

Audit Report

**Maintenance In Lieu of Rent
January 1, 2014 – December 31, 2014**

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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 for space occupied. Reimbursable departments record the expense and claim the costs to state and federal governments, where applicable. Enterprise Departments (DPW Department of Aviation and Public Transit) use the billing to reimburse the County for occupancy costs. In addition, the Department of Mental Hygiene (DMH) 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.

Observations/Findings/Actions

- The methodology for allocating payroll expenses needs improvement. The first quarter wages and hours of each employee were aggregated to arrive at a generic hourly rate for each employee; a new rate for subsequent quarters was not calculated. *DPW agreed this methodology needs improvement and stated improvements would be implemented in 2015.*
- Revenues totaling \$308,046 were recorded in DMH's rental of property revenue; no property expenses were reported. Expenditures are incurred by DPW Buildings and while DPW Buildings does submit quarterly billings to DMH, the department did not pay. The accounting matching principle states that revenue should match expenses and therefore a correction in the handling of these transactions is recommended. This finding was reported in the 2013 report with no action taken in 2014. However, in 2015 DPW has been receiving rental revenue from DMH programs.
- As part of our review, it was discovered revenue from the Department of Health (DOH) totaling \$12,092 was due and revenue from the District Attorney's Office totaling \$2,979 was due and not billed. *DPW was in the process of collecting DOH funds. However, the District Attorney funds were not encumbered, as the department was unaware of the expense. Therefore, these funds cannot be collected.*

Detailed Findings - Billing to Departments

Expenses recorded in the DPW Buildings Division are used to allocate costs to all buildings provided with their services. Also, included are DPW administrative costs. A total of \$947,947 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 \$402,246. A detail of the budgeted revenue, the actual billings and payments is attached as Addendum I.

- The Office for the Aging, Department of Community and Family Services and Enterprise Departments paid the billed amount. DMH was billed but did not make any payments. DOH did not pay for the Medical Examiner's Office. DOH accrued expenses for the 4th

quarter but processed a payment in 2015. The District Attorney's Office was not billed for 2014 renovations and therefore did not encumber funds to cover the expense.

- DPW did not accrue 2014 income from DOH in the amount of \$12,092 and the District Attorney's Office in the amount of \$2,979.
- The Office for the Aging is not billed for actual costs. In 2014, they increased their payments by \$17,160. An agreed upon amount is billed.
- In 2014, DMH continued their practice of receiving revenue for building expenses they did not incur. However, in 2015 revenue received for rental property serviced by DPW was paid to and recorded in the DPW Buildings Department revenue line.
- The MLR did not include charges for fringe benefits for certain salary categories.

Recommendations

- Additional efforts should be made to ensure all billings are made to the respective departments and collected.
- Fringe benefits should be included and charged on all salaries.

MLR for A87 Totals

2014 A 87 Expenses	Direct	Indirect	Totals
Personnel	\$1,069,924.60	\$994,511.25	\$2,064,435.85
Fringe Benefits	594,450.11	280,782.60	875,232.71
Supplies, Utilities, Contracts, etc	2,573,686.95	183,652.03	2,757,338.98
Insurance	<u>0</u>	<u>614,126.87</u>	<u>614,126.87</u>
Total	<u>\$4,238,061.66</u>	<u>\$2,073,072.75</u>	<u>\$6,311,134.41</u>

The A87 MLR reported a total of \$6,311,134.40 in expenses. Direct expenses amounted to \$4,238,061.66 and Indirect Costs \$2,073,072.74. Expense categories were verified to actual expenses reported in LOGOS. The variance, though reasonable, consisted of employee allowances and inter-department expenses and should be considered for inclusion.

Addendum I

2014	Maintenance in Lieu of Rent Billing to Departments			
	Budget	Billed	Paid	Balance
DEPARTMENT OF MENTAL HYGIENE				
230 North Rd		\$301,873	\$0	\$301,873
Beacon Center		102,173	0	102,173
EDGC*		98,158	0	98,158
ITAP		<u>1,720</u>	<u>0</u>	1,720
DMH Total	\$0	\$503,924	\$0	\$503,924
DEPARTMENT OF HEALTH				
85 Civic Center Plaza		\$3,955	\$2,836	\$1,119
Medical Examiner's Office		28,822	0	28,822
Beacon Center		21,532	15,398	6,134
EDGC		16,347	11,350	4,997
29 N. Hamilton St.		<u>7,348</u>	<u>7,330</u>	<u>18</u>
DOH Total	\$54,326	\$78,004	\$36,914	**\$41,090
DEPARTMENT OF COMMUNITY AND FAMILY SERVICES				
DCFS	\$171,536	\$158,318	\$158,318	\$0
DCFS – EDGC*		13,530	13,386	144
Youth Bureau Beacon - Closed	2,200	1,100	1,100	0
Youth Bureau – EDGC	<u>3,200</u>	<u>3,200</u>	<u>3,200</u>	<u>0</u>
DCFS Total	\$176,936	\$176,148	\$176,004	\$144
OFFICE FOR THE AGING				
Office for the Aging	\$44,900	\$44,900	\$44,900	0
NY Connects (FKA CASA)	<u>54,641</u>	<u>54,641</u>	<u>54,641</u>	0
OFA Total	\$99,541	\$99,541	\$99,541	0
ENTERPRISE				
DPW Division of Aviation	\$28,001	\$25,955	\$25,955	0
Public Transit	71,300	61,660	61,660	0
Intermodal – Public Transit		<u>2,714</u>	<u>2,714</u>	0
Enterprise Total	\$99,301	\$90,329	\$90,329	0
Grand Total	\$430,104	\$947,946	\$402,788	\$545,158

*EDGC – Eastern Dutchess Government Center

**Not included in this total is a DOH payment of \$12,092.23 for the 4th quarter of 2014 received by DPW in 2015.