

A REPORT BY THE NEW YORK STATE OFFICE OF THE STATE COMPTROLLER

**Alan G. Hevesi
COMPTROLLER**



**STATEWIDE
SECURITY GUARD SERVICES**

2001-BSE-001

DIVISION OF STATE SERVICES

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Report 2001-BSE-001

Mr. Kenneth J. Ringler, Jr.
Commissioner
Office of General Services
Corning Tower, Empire State Plaza
Albany, NY 12242

Dear Commissioner Ringler:

The following is our audit on the use of the Statewide Security Guard Services Contract for the period January 1, 2001 through December 5, 2002.

We did this audit according to the State Comptroller's authority as set forth in Section 1, Article V of the State Constitution and Section 8, Article 2 of the State Finance Law.

Major Contributors to this report are listed in Appendix A.

cc: Commissioners, Directors and/or Presidents of User Agencies:

- | | | |
|-------------------------------------|---|---|
| Buffalo Psychiatric Center | Division of Criminal Justice Services | Office of Mental Health |
| CUNY City College | Division of Housing and Urban Renewal | Office of Real Property Services |
| CUNY Graduate School | Division of Military & Naval Affairs | Office of Temporary Disability Assistance |
| Department of Correctional Services | Kingsboro Addiction Treatment Center | SUNY Brockport |
| Department of Motor Vehicles | NYS Veterans' Home at St. Albans | SUNY Buffalo |
| Department of State | Office of Children and Family Services | SUNY Stony Brook |
| Department of Transportation | Office of General Services | Workers Compensation Bureau |
- * OSC visited agencies in bold

Office of the State Comptroller
Division of State Services
Bureau of State Expenditures

June 16, 2003

EXECUTIVE SUMMARY

STATEWIDE SECURITY GUARD SERVICES

SCOPE OF AUDIT

Agencies hire security guards to protect State facilities, employees and the public from harm. Security guards are employed primarily to deter, observe, detect and report incidents in order to protect persons and property from theft, damage and unlawful activity. New York State recognized the importance of security. As of August 2002, the State had \$42.7 million in active contracts for security guards.

Under General Business Law, Article 7-A, the Security Guard Act requires all security guards to be registered with the Department of State. Part of the registration process requires the guards to undergo training to be a guard and to pass a New York State criminal background check. In addition to the requirements under the Security Guard Act, the Statewide contract provides for three levels of guards:

- Level-1 guards have minimum education, experience and training requirements
- Level-2 guards have higher education, experience and training requirements plus comprehensive background screening, and
- Level-3 guards have the highest education, experience and training requirements, plus comprehensive background screening.

Our audit addressed the following questions:

- Were New York State's security guards properly registered with the Department of State?
- Did the security guard companies provide guards who met the contract specifications?

AUDIT OBSERVATIONS AND CONCLUSIONS

The security of people and assets at New York State agencies are at risk because agency officials failed to monitor the security guards they hired to protect them and because guard companies provided unqualified and unregistered guards to State agencies. These guards created a danger to public safety. In fact, the legislature recognized this risk when it created the Security Guard Act. In documents supporting the Act, a member of the Assembly opined, “without stricter controls, it is possible that many unfit individuals will be employed in security positions, creating a danger to public safety.”

One function of the Security Guard Act is to prevent violent felons from being registered as security guards. In our sample of 499 security guards, there were 66 unregistered guards who worked at State facilities – the true identities of three guards are still unknown to us as they worked under assumed identities. Expanding on our audit, the Department of State did their own review of 4,040 security guards and found 365 unregistered guards working for six of the vendors in our audit.

Our audit also revealed contract vendors weren’t supplying guards who met the minimum specifications for the level guard provided. In fact, none of the 448 guards we examined even met the minimum requirements to be a level-1 guard. There are two reasons for this. First, the guard companies’ hiring processes weren’t designed to elicit from the guards the necessary information to demonstrate they had the appropriate qualifications. It appears guard companies never intended to comply with the contract terms and conditions. Internal records from one company showed they didn’t intend to comply with the contract because it would have been cost-prohibitive. The second reason unqualified guards were allowed to work at State facilities was representatives from user agencies weren’t reviewing the guards’ credentials before allowing them to work at the agencies.¹

Executives at several security guard companies told us they couldn’t get qualified guards for the prices they bid under the contract. One vendor paid a New York City guard, who required the highest qualifications, \$7.73 an hour. The Chairman and Professor of the Department of Law, Political Science and Criminal Justice Administration at the John Jay College of Criminal Justice reviewed US Department of Labor reports and concluded, based on the contract specifications, Level-3 guards should have been paid from \$15.70 an hour to \$19.00 an hour. Guard companies cut corners to maintain their profit margin. As a result, the Office of the Attorney General joined the Office of the State Comptroller to further investigate the matter. At the time of this audit report, three

¹ It’s important to note that the failure of agencies to do such reviews wasn’t due to indifference about the guards’ screening and credentials, but rather to a belief that the guard company managers were already doing the screening and verifying credentials.

companies are no longer able to do business in New York State and they paid restitution. In addition to these settlement terms, one company, International Protective Service, and one of its Vice Presidents also pled guilty to criminal charges.

In response to our audit, the Department of State imposed fines on three companies in our audit and has three other companies under investigation.

Also, in response to our audit, the Office of General Services met with vendors under the Statewide contract to get their opinion about the contract. After consulting with five of these vendors, the same vendors who didn't intend to comply with the contract and submitted allegedly fraudulent bills to the State, the Office of General Services relaxed many of the requirements, thus eliminating critical criteria used to ensure, going forward, qualified and trained guards are protecting State facilities.

COMMENTS OF DEPARTMENT OFFICIALS

A draft copy of this report was provided to the Office of General Services and user agencies we audited for comment. Their comments were considered in preparing this report and are included as Appendix C. In addition, the State Comptroller's Notes to the responses are included as Appendix D.

Most agencies agreed with the findings presented in this report. However, the managers at the Workers Compensation Board and the Department of Motor Vehicles haven't established effective controls to ensure all guards are qualified under the contract. Also, these managers haven't established systems to ensure only bona fide guard services invoices are paid. We encourage these managers to address these deficiencies.

The Office of General Services managers revised the contract specifications to reduce the requirements for the guards, thus making it easier for guard companies to provide guards and to allow user agencies the ability to upgrade guards to a higher rate of pay. We urge these managers to design contract specifications based on the quality of guard needed by state agencies. Office of General Services managers shouldn't provide the ability for user agency managers to upgrade a specific guard to a higher level to allow them a higher rate of pay; rather, they should identify the level of service they need and allow the guard company to provide a guard qualified at that level.

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INTRODUCTION

Background

Agencies hire security guards to protect State facilities, employees and the public from harm. Security guards are employed primarily to deter, observe, detect and report incidents in order to protect persons and property from theft, damage and unlawful activity. All security guards need to be registered with the Department of State. Agencies may obtain registered security guards by entering into a contract with a particular vendor or using the Statewide guard service contract established by the Office of General Services.

General Business Law Article 7-A (the Security Guard Act) requires security guards to be registered with the State. The purpose of this registration is to ensure security guards meet certain minimum recruitment and training standards and have no convictions for serious crimes (generally violent felonies, white collar crime and high level drug offenses). The NYS Department of State, Division of Licensing Services, has oversight responsibility for the licensing and registration of all security guards. It also handles all violation and enforcement issues. The NYS Division of Criminal Justice Services handles the administrative oversight of the training program and does criminal background checks.

The intent of the Statewide contract was to provide uniformed guard services at different levels of experience and expertise for multiple users throughout the State. To facilitate the bidding process, the Office of General Services' Procurement Services Group separated all counties in New York State into eleven regions. Vendors bid on the hourly rate at which they could provide guard services at each of three levels by region. The Office of General Services awarded the contract on the basis of lowest bidders to 14 vendors. Shortly after the award, Office of General Services managers terminated two vendors from the contract - one withdrew and one went out of business.

Three levels of guards were established to allow users of the Statewide contract the ability to select the right caliber guard for the type of security they needed. As the level increased, the

qualifications of the guards also increased. The highest-level guard was required to have extensive training, experience and/or education. The two highest levels required medical and drug tests and other tests of suitability, including an integrity test. Except for level-1 guards, all guards were required to have background checks.

Despite the requirements for extensive training, experience and background checks, most guard companies paid fairly low hourly rates. For example, based on the company's payroll records, managers at Tort Protective Group paid level-3 guards in New York City from \$7.73 to \$13.42 an hour. Where guard company managers met the contract wage rate, we found they paid their guards either at or slightly above the contract rate. We found three guard companies who paid many of their guards below the minimum contract wage rate.

It was the vendor's responsibility to provide guards who met the contract requirements for the price bid. It was the user agency managers' responsibility to hold the vendor accountable for delivering qualified guards at the contract price. Vendors were required to furnish the user agency with documented evidence the guards met all the qualifications for the requested level of service before starting work. Each time a new guard reported for work at an agency, the vendor was supposed to provide a copy of the guard's application along with a file containing evidence supporting the qualifications.

Audit Scope, Objectives and Methodology

We audited State agency purchases of security guard services from Command Security Corporation, Inc., DAOR Security Inc. (now known as MC2 Security, Inc.), GL Security Inc., International Protective Services Inc., Paramount Security Bureau Inc., Tort Protective Group Inc. and Tristar Patrol Services, Inc. during the calendar year 2001 and certain payments to Tristar Patrol Services during calendar year 2002. The objectives of our audit were to determine whether the guards provided to State agencies were properly registered with the Department of State and whether the guards were qualified according to the contract specifications.

To accomplish our objectives, we reviewed the Security Guard Act and the contract. We evaluated controls over guard purchases and payments at selected State agencies and

evaluated evidence in security guards' personnel folders. We also interviewed managers at a sample of guard companies and State agencies and interviewed security guards. We also interviewed an expert in the field of security.

We did our audit according to generally accepted government auditing standards. These standards require us to plan and perform our audit to adequately assess those operations within our audit scope. Further, these standards require that we understand the Department's internal control structure and its compliance with those laws, rules and regulations that are relevant to the operations in our audit scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting and operating records and applying other auditing procedures we consider necessary in the circumstances. An audit also includes assessing the estimates, judgments and decisions made by management. We believe our audit provides a reasonable basis for our findings, conclusions and recommendations.

We use a risk-based approach when selecting activities to be audited. This approach focuses our audit efforts on those operations that have been identified through a preliminary survey as having the greatest probability for needing improvement. Consequently, by design, finite audit resources are used to identify where and how improvements can be made. Thus, little audit effort is devoted to reviewing operations that may be relatively efficient or effective. As a result, our audit reports are prepared on an "exception basis." This report, therefore, highlights those areas needing improvement and does not address activities that may be functioning properly.

Department Officials' Response to Audit

A draft copy of this report was provided to user agency officials for their review and comment.

Within 90 days after final release of the final report, as required by Section 170 of the Executive Law, the Commissioner of the user agencies shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons therefor.

REGISTRATION

Unregistered Guards

Managers at security guard companies didn't ensure all the guards posted at State facilities were registered and were subjected to the criminal background checks required by law. As a result, State facilities, employees and the public they serve were at risk because guard company managers provided dozens of guards to State agencies who may have been convicted felons. Further, this practice exposed the State to the potential risk of terrorists having access to sensitive State facilities.

The Security Guard Act requires security guards to be registered with the New York State Department of State before they work in New York.² Part of the registration process requires the applicants to be free from specific convictions – generally violent felonies, white-collar crimes and certain drug offenses.

| | Number of Guards in our Sample | Number of Unregistered Guards | Number of Guards with Gap in 2001 Registration |
|---|--------------------------------|-------------------------------|--|
| Command Security Corporation, Inc. | 56 | 3 | 16 |
| DAOR Security, Inc. | 144 | 6 | 45 |
| GL Security, Inc. | 62 | 6 | 25 |
| International Protective Services, Inc. | 58 | 2 | 3 |
| Paramount Security Bureau | 84 | 45 | Didn't examine |
| Tort Protective Group, Inc. | 134 | 1 | 35 |
| Tristar Patrol Services, Inc. | 17 | 8 | 4 |
| Less: Duplicates (Guards working for more than one company) | -56 | -5 | -12 |
| Total | 499 | 66 | 116 |

We examined the registrations for 499 guards who worked at State agencies to determine whether they held valid registrations. We found 66 weren't registered while they were

² Alternately, a guard company may file a registration application on behalf of the potential employee and the employee may work while the application is pending at the Department of State. For our audit, we considered guards with pending applications as registered guards.

posted at State agencies and 116 had let their registration lapse for a period of one month to a year.

The Department of State expanded on our audit and reviewed six of these companies' guards and found hundreds of guards providing security services at various locations in the State who weren't registered. The summary of their results is as follows:

| Findings from the Department of State | Inspection Date | # Of Guards on the Payroll | # Of Unregistered Guards |
|---|-----------------|----------------------------|--------------------------|
| Command Security Corporation | 5/23/2002 | 995 | 39 |
| DAOR Security Inc. | 7/26/2002 | 1,188 | 93 |
| GL Security, Inc. | 8/1/2002 | 122 | 3 |
| International Protective Services, Inc. | 4/4/2002 | 1,376 | 208 |
| Paramount Security Bureau, Inc. | 4/5/2002 | 82 | 17 |
| Tort Protective Group, Inc. | 5/6/2002 | 277 | 5 |
| Total | | 4,040 | 365 |

We questioned the identity of three unregistered guards who worked for Paramount Security Bureau. One guard was stationed at the Department of Motor Vehicles, one guard was stationed at the Workers Compensation Board, and one guard worked at both agencies.

In searching for the guards in the Department of State's databases, we identified some discrepancies.

We obtained copies of the three guards social security cards and found the alignment of the data on the cards was skewed in different directions and the names were not listed in the format typical of the Social Security Administration. Further, we researched the three social security numbers and found they belong to three other people. Therefore, managers at the Department of Motor Vehicle and the Workers Compensation Board never knew the true identities of these three Paramount guards.

When guard company managers fail to examine identification documents and exercise due diligence to fingerprint and register guards, they open the door for a host of undesirable people, including potential terrorists, to have access to sensitive State facilities. In the case of the Department of Motor Vehicles, the guard(s) could have had access to documents that can facilitate false identification. Overall, we found Paramount Security

Bureau provided 37 unregistered guards to various Department of Motor Vehicle facilities. Department of Motor Vehicle managers paid Paramount over \$400,000 for these unregistered guards.

In April 2002, the Office of General Services' Procurement Services Group managers made a contract change to require all security guards working under the Statewide contract to display their registration cards on their uniforms. With active monitoring by agency managers, we believe this change can help prevent unregistered guards from having access to State facilities.

Recommendation to User Agencies

1. Verify guards assigned to State facilities have a valid registration card before allowing them to work.

QUALIFICATIONS

Unqualified Guards

State agency managers didn't monitor the security guard contract to ensure the guards were qualified. Our audit showed not one of the 448 guards we examined were qualified at the level hired. In fact, none of the 297 level-2 and level-3 guards qualified for even the basic level-1. As a result, the guards at State facilities were often untrained, inexperienced or potentially medically unfit to serve or may lack the ethics necessary for such an important job.

For example:

- We caught one guard drinking on the job while we were in the field interviewing guards.
- Two guards we interviewed admitted to testing positive for drugs in their last urine test.
- The results of an integrity test showed one guard admitted to taking money from his former employer without authorization and one guard admitted he was probably dishonest enough to steal.
- One guard left the scene of an accident.
- Fifty-one out of fifty-two guards at one company didn't have the annual in-service training required by the Security Guard Act.
- Thirteen out of sixteen level-3 International Protective Services guards didn't have the amount of experience required by the contract.

The Statewide security guard contract prescribed certain minimum qualifications necessary for the guards to work at State agencies. The John Jay College of Criminal Justice Chairman and Professor of the Department of Law, Police Science and Criminal Justice Administration reviewed these specifications. He agreed they were generally reasonable and necessary considering the nature of the job as a security guard and the sensitivity of the facilities the guards are protecting. The contract provided for security guards with three levels of qualifications:

- Level-1 guards needed at least six months experience, minimum training, a high school diploma or a general equivalency diploma, a medical exam within the last year certifying good health, a urine drug screening, a valid New York State drivers license, to be of good moral character, to be at least 20 years old and legally able to work in the United States.
- Level-2 guards must have met all the requirements for level-1, plus have had military or law enforcement experience or three years security guard experience, plus 56 more hours of training than level-1 guards.
- Level-3 guards must have met all the requirements for level-1 and level-2, plus have an associates degree in criminal justice coupled with three years security guard experience, or have be retired from the military, or have five years law enforcement experience, qualify on a weapons range annually, plus 36 more hours of training than a level-2 guard.
- Level-2 and level-3 guards were also required to have background checks, including seven-years prior employer check, credit check, personal references check, drivers license check, plus they must have a clinical drug test, a psychological test and an integrity test.

We asked a sample of guards about a few qualifications and found many of the guards didn't meet these qualifications. We also reviewed the personnel folders for 448 guards working for seven guard companies and found none of the guards met the qualifications at the level the agency ordered. In fact, our review showed none of the 297 level-2 and level-3 guards even met the level-1 qualifications. We were prevented from examining the qualifications of 16 guards because the guard company managers didn't have personnel records, including applications, for these guards.

Each level of security guard required the guard and company to meet a different number of specifications:

- Level-1 guards – 15 specifications
- Level-2 guards – 27 specifications
- Level-3 guards – 29 specifications

We tested the personnel files of 448 security guards to determine whether there was enough evidence to support the guards were qualified at the level provided by the guard company. The following chart shows the results of our tests.

- “Hi” indicates the percentage of qualifications met for the guard who had the most qualifications.
- “Lo” indicates the percentage of qualifications met for the guard who had the least qualifications.
- “Avg” indicates the overall average percent of specifications met by all guards at the company.

| Compliance with Specifications | Level 1 | | | Level 2 | | | Level 3 | | |
|---|---------|-----|------------|---------|-----|-----|---------|-----|-----|
| | Hi | Lo | Avg | Hi | Lo | Avg | Hi | Lo | Avg |
| Tristar Patrol Services, Inc. | 60% | 0% | 37% | 30% | 0% | 21% | n/a | n/a | n/a |
| Paramount Security Bureau, Inc. | 80% | 40% | 54% | 52% | 22% | 32% | 45% | 21% | 29% |
| GL Security, Inc. | 73% | 27% | 55% | 48% | 11% | 31% | n/a | n/a | n/a |
| Tort Protective Group, Inc. | 80% | 40% | 62% | 56% | 30% | 43% | 38% | 28% | 37% |
| DAOR Security Inc. | 80% | 40% | 62% | 48% | 11% | 37% | 38% | 38% | 38% |
| Command Security Corporation | 87% | 40% | 63% | 59% | 11% | 40% | 38% | 38% | 38% |
| International Protective Services, Inc. | 87% | 47% | 66% | 56% | 30% | 43% | 41% | 28% | 35% |

The 0% for Tristar Patrol Services at Level 1 & 2 is a result of a personnel file consisting solely of a training certificate. There were no level-3 guards at Tristar Patrol Services or GL Security in our sample.

There were many specifications for which the guard companies did virtually nothing, like medical exams, urine drug screening, background checks, and heightened training for the guards. For example, the percent of non-compliance for urine drug screening ranged from 96 percent of the guards at Paramount Security to 100 percent of the guards at DAOR, International Protective Services, GL Security and Tristar Patrol Services. There were six guard companies (DAOR, GL Security, International Protective Services, Paramount Security Bureau, Tort Protective Group and Tristar Patrol Services) for which there was no evidence that the guard company managers did background checks with the guards’ former employers.

Many guards didn’t have the minimum experience required for the level hired. For example, 43 percent of the level-3 guards from International Protective Services working at Camp Smith (a Division of Military and Naval Affairs’ facility, located less than five miles from Indian Point 3 Nuclear Power plant, storing munitions) didn’t have the six months experience required to be a level-1 guard. At GL Security, 40 percent of all security guards

didn't have at least 6 months experience and 71 percent of the Tristar Patrol Services guards didn't have at least six months experience. For a complete schedule of noncompliance with contract specifications, please see Appendix B.

There were two main causes for the deficiencies cited above. One was State agency managers didn't monitor the contract to ensure the guards were qualified according to the specifications. The second was the Office of General Services' Procurement Services Group managers' decision to award the contract based on lowest bid gave companies incentives to bid low and cut corners in order to assure a profit. These low bids resulted in companies paying their guards wages too low for the qualifications set in the contract. It wasn't reasonable to expect to get guards meeting the contract qualifications, especially level-3 guards, for the prices under the contract.

Monitoring

Managers at the user agencies allowed hundreds of unqualified guards to work at State facilities.

Agency managers didn't confirm the security guards had the qualifications for the level of service ordered. Agency officials operated under the premise if the guard company sent the guard to the site, he or she must have been qualified. This assumption was wrong.

Agency managers had a responsibility to have systems in place to ensure they got what they ordered. The contract required the guard companies to provide the user agencies with documented evidence the guards met all the qualifications for the requested level of service prior to starting work. This supports that user agency managers were in the best position to verify whether or not they got what was ordered. In fact, good business practices require managers to confirm the guards met the contract qualifications as ordered before allowing the guard to work or paying the guard company. If State agency managers had complied with this requirement, the deficiencies would have been identified years ago. This could have allowed the Office of General Services' Procurement Services Group managers the opportunity to address the issue more timely to facilitate getting qualified guards under the State contract.

The Office of General Services' Procurement Services Group managers modified the contract specifications effective April 8, 2002. Rather than requiring the guard companies to provide documented evidence the guards meet the contract requirements prior to starting work, the revision requires guard companies to provide a notarized statement to the user agency certifying the guards are qualified at the level provided. These certified statements are not reliable as the following example illustrates.

We examined the personnel records for twelve Tristar Patrol Services security guards working at an Office of General Services building during 2002. Executives at Tristar gave the Office of General Services building manager notarized statements certifying ten of these twelve guards were qualified at various levels. These statements provided a sense of security to the building manager that the guards were qualified. However, of the ten guards, there wasn't enough evidence to support they were qualified at the level certified. Eleven of the twelve guards' folders didn't have enough evidence to support they met the qualifications for level-1. Although officials at the Office of General Services asked Tristar managers for evidence to support the guards were qualified, Tristar didn't provide it. As a result, the Office of General Services replaced Tristar with another vendor and ultimately terminated Tristar from the contract.

Pricing

Guard company managers bid low to get the contract. The company managers also paid their guards wages too low considering the qualifications required under the contract. As a result, the guard companies couldn't attract guards with all the contract qualifications and the guard company managers cut corners when doing background investigations and other tests of suitability in order to maintain their profit. In order to attract and retain quality security guards, it is necessary to pay appropriate wages and benefits – particularly when the contract calls for extensive qualifications such as military experience, advanced degrees, or several years of experience.

Executives at three vendors told State representatives they can't find guards to meet the contract specifications at the low prices they bid under the contract. A Vice President at International Protective Services told us guards stay with his

company only until a higher paying position opens up at McDonalds. He told us the \$200 required to do background checks would be cost prohibitive given the contract pricing. The Vice President also told us the company managers knew they would cut corners.³ Remarks from the Vice President are disturbing because, like International Protective Services Inc., the contract vendors bid low prices knowing the extensive contract requirements. We believe the Office of General Services' Procurement Services Group managers created a situation that may have encouraged companies like International Protective Services to cut corners by basing the contract award on lowest bid.

The Invitation for Bid for the Statewide contract prescribed the minimum wage, by level, that guard companies had to pay their guards. In the New York City Region, guard company managers had to pay at least \$7.73 an hour for level-1 guards, \$10.30 an hour for level-2 guards, and \$13.70 an hour for level-3 guards.⁴ As discussed below, these wages are too low considering the qualifications required under the contract. Yet, guard companies often paid this amount or less.

Our review of five vendors' payroll records (Command Security, GL Security, International Protective Services, Tort Protective Group and Tristar Patrol Services) showed where the security guards were paid according to the contract, the managers paid the guards either at or slightly above the prescribed contract wage rates.⁵ We also found instances at each of these five companies where managers paid the guards less than the contract rate.

For example, Tort Protective Group managers didn't pay any of the level-3 guards in our sample at least \$13.70 an hour for work done in the New York City region. Tort managers paid two level-3 guards \$13.42 an hour, one level-3 guard \$13.34 an hour and one level-3 guard \$7.73 an hour. Also, managers at International Protective Services paid at least five level-3 guards posted at Camp Smith \$7.50 an hour when the contract called for these guards to be paid \$9.10 an hour. Level-3 guards are

³ International Protective Services also provided security at the Statue of Liberty – a target of terrorist threats after the World Trade Center attack.

⁴ These rates represent the minimum amount the guards should be paid, not the maximum.

⁵ DAOR Security and Paramount Security Bureau refused to provide their payroll records.

supposed to have the most extensive experience, training and background checks under the contract.

Based on our review of the payroll records for a sample of level-2 guards, we found guard company managers paid these guards below the minimum contract wage rate:

| Company Name | Percent of Level-2 Guards Paid Below Contract Rate |
|-----------------------|---|
| Command Security | 61% |
| GL Security | 57% |
| Tort Protective Group | 75% |

The John Jay College of Criminal Justice Chairman and Professor of the Department of Law, Police Science and Criminal Justice Administration told us in order to get security guards in New York City who have level-3 qualifications, a guard company would have to pay the guard from \$15.70 to \$19.00 an hour. The minimum wage for level-3 guards in New York City required under the contract was \$13.70 an hour.

Recommendations to the Office of General Services' Procurement Services Group

2. Design the award of the next guard services contract so it assures qualified guards are provided to the State.
3. Ensure guards are paid a reasonable wage based on contract specifications.

Recommendation to User Agencies

4. Develop a monitoring system to ensure qualified guards provide security.

Fraud

Managers from all seven vendors in our sample collectively billed State agencies \$4.4 million in calendar year 2001 for services they didn't deliver as ordered. As a result, the Office of the State Comptroller and the Office of the Attorney General are working together to further investigate and potentially prosecute these companies.

There were several red flags that caused us to raise the issue of fraud in the invoices from the guard companies, including:

- The Vice President at International Protective Services told us managers knew they were going to cut corners.
- The application and hiring process at all seven vendors weren't designed to ensure the guards were qualified according to the contract.
- Several guard company managers told us they couldn't find qualified guards at the prices they bid under the contract.
- Each of the seven guard companies billed the State for the delivery of guard services as though the companies provided qualified guards at level-1, level-2 or level-3 specifications, but there wasn't enough evidence to support these guards were qualified.
- Representatives from two companies, Command Security Inc. and Tort Protective Group, told the Office of General Services' Procurement Services Group managers they bid on the Statewide contract because there were no provisions for fines or penalties in the contract.

Therefore, we question why the guard company managers billed State agencies as though the guards met the qualifications under the contract.

At the time of this audit report, the Office of the State Comptroller and Office of the Attorney General have reached settlement agreements with International Protective Services, Tort Protective Group and Paramount Security Bureau. The settlements included, among other items, restitution to the State and the companies' surrender of their licenses to do business in New York State. Also, both International Protective Services and one of its Vice Presidents pled guilty to criminal charges.

Recommendation to User Agencies

5. Develop a system to ensure payment of only bona fide guard services invoices.

CONTRACT CHANGES

Specifications

Based, in part, on feedback from five guard companies under the Statewide contract, managers in the Office of General Services' Procurement Services Group modified the contract specifications to:

- Make some requirements more stringent,
- Clarify some other requirements, and
- Relax or eliminate many important specifications.

As a result, the requirements for security guards available under the contract were significantly reduced.

Any State agency can obtain security guards under the Statewide contract. With this in mind, the Procurement Services Group managers should consider the nature of the agencies when designing specifications. For example, managers should consider the sensitivity of assets and information at sites like the Health Department, the Department of Taxation and Finance, the Department of Motor Vehicles and Camp Smith – the Division of Military and Naval Affairs' military installation that houses munitions. It is located three miles from the Indian Point 3 Nuclear Power Plant.

We shared our audit findings about non-compliance with contract specifications with the Office of General Services' Procurement Services Group managers. After our discussion, the Procurement Services Group managers met with representatives from several guard services companies, including five companies under the Statewide contract, to get their opinion about the appropriateness and reasonableness of the contract specifications. Based on these meetings, the Procurement Services Group managers amended the contract. Of the changes in the contract specifications, we found:

- Thirteen changes imposed more restrictive requirements, For example, the amendment specifies the minimum types of drugs the urine test should examine and increases the military experience for level-2 to two years.

- Ten changes that are clarifications, for example, an amendment clarifies the results of urine drug test should be negative and that minimum experience must be as a New York State registered security guard.
- Twenty-eight changes either relax or eliminate the original specifications. For example, the amendment eliminates the Minnesota Multiphasic Personality Inventory test and the integrity test, reduces the number of hours the guards need to be trained, makes the high school diploma or GED optional, eliminates certain background investigations, and reduces the level of experience the guards need to qualify at level-3.

We asked an expert from the John Jay College of Criminal Justice to examine the original security guard contract. This expert thought most of the specifications were reasonable and necessary. The following are highlights from our interview with this expert.

Background investigation – It's important for guard companies to do employment and personal reference checks on all guards regardless of level.

The original contract and the revised contract only required background investigations for level-2 and level-3 guards. In our audit period, six guard companies (DAOR, International Protective Services, GL Security, Paramount Security Bureau, Tort Protective Group and Tristar Patrol Services) didn't do personal and/or employment reference checks on any of their guards. Command Security had non-compliance rates ranging from 67 to 77 percent.

Good moral character – The requirement for good moral character can be tested for all potential guards by an integrity test approved by the American Psychological Association. This tool is inexpensive, easy to administer and helps the company eliminate undesirable candidates.

The original contract required integrity tests only for level-2 and level-3 guards. The revised contract deleted this requirement. Managers at six out of seven guard companies didn't do integrity tests for level-2 and/or level-3 guards. Rates of non-compliance at Tort Protective Group were 42 percent for level-2 guards and 75 percent for level-3 guards.

Education – It's important for all guards to have at least a high school diploma or general equivalency diploma. This credential implies a certain level of technical proficiency often needed to handle security panels, fire control panels and other systems. A minimum educational level helps to ensure guards have the skills or learning capacity to understand and operate these systems. However, education alone, no matter how advanced a degree, shouldn't be the only requirement for higher-level guards. The original contract required a high school diploma or GED for all guards. The revised contract makes this requirement optional.

Many guards didn't have the basic education required by the contract. For example on average, 16 to 73 percent of all guards didn't have a high school diploma or general equivalency diploma.

Training – The training requirements under the Security Guard Act are minimal. The original contract required generally appropriate training for the different levels of guards. The revised contract eliminated some of this training.

Our audit found a lack of evidence from the guard companies supporting guards had the training required by the Security Guard Act. For example:

- 74 to 100 percent of the level-2 and level-3 guards in our sample didn't have evidence of the eight-hour annual in-service training required by law.
- 25 to 93 percent of all guards in our sample didn't have evidence of the basic training required by law.

Quality guards are essential to sound security in New York State, especially in light of the World Trade Center attack. Despite the increased security risk in the State, the Office of General Services' Procurement Services Group managers have chosen to seek and accept guards with reduced qualifications. The more the specifications are relaxed, the higher the risk for problems in New York State.

**Recommendation to Office of General Services'
Procurement Services Group Managers**

6. Design future specifications to ensure the availability of quality guards based on the desired level of service.

MAJOR CONTRIBUTORS TO THIS REPORT

David R. Hancox, CIA, CGFM

John D. Brennan, CFE, CGFM

Roslyn Watrobski, CIA, CGAP

Kathleen A. Gavigan

Mary E. Peck

Lori Russo

Sheila Dolan

Beverly Jones

SUMMARY STATISTICS

Vendor Non-Compliance – Level-1 Guards

| Level 1 Guard Qualifications Analysis | Percent Guards are NOT in Compliance with Specifications | | | | | | |
|--|--|------|------|------|-----------|------|---------|
| | Command | DAOR | GL | IPS | Paramount | Tort | Tristar |
| Total Number of Guards Evaluated | 56 | 144 | 62 | 58 | 26 | 134 | 17 |
| Number of Guards - Level-1 | 4 | 92 | 1 | 0 | 0 | 84 | 1 |
| Number of Guards - Level-2 | 51 | 51 | 61 | 42 | 17 | 46 | 16 |
| Number of Guards - Level-3 | 1 | 1 | 0 | 16 | 9 | 4 | 0 |
| Minimum six months experience as a security guard with a good service record | 21% | 16% | 40% | 22% | 27% | 13% | 71% |
| Minimum 20 years of age | 4% | 1% | 5% | 0% | 4% | 1% | 35% |
| Must be of good moral character, neat in appearance with weight commensurate with height | 100% | 100% | 100% | 100% | 100% | 99% | 100% |
| Fluent in English (verbal and written skills) | 100% | 87% | 100% | 0% | 92% | 100% | 100% |
| Name and address | 0% | 0% | 0% | 0% | 0% | 0% | 6% |
| Date of Birth | 0% | 0% | 0% | 2% | 0% | 0% | 41% |
| Social Security number | 0% | 0% | 0% | 0% | 8% | 1% | 12% |
| Photograph (from photo ID card) | 2% | 6% | 23% | 2% | 4% | 0% | 47% |
| Medical Exam - Within 1 year, certifying good health | 98% | 99% | 100% | 98% | 96% | 96% | 100% |
| Urine drug screening | 98% | 100% | 100% | 100% | 96% | 99% | 100% |
| High School Diploma OR GED | 34% | 34% | 31% | 16% | 73% | 31% | 35% |
| Birth Certificate | 5% | 8% | 18% | 60% | 62% | 52% | 76% |
| Alien Registration Form 19 | 5% | 3% | 32% | 10% | 12% | 11% | 82% |
| Record of Basic Training (NYS Security Guard Act) | 55% | 70% | 90% | 93% | 81% | 25% | 88% |
| Valid current NYS operator's license | 32% | 42% | 40% | 14% | 42% | 42% | 53% |

Items in bold are required to be in personnel folder

SUMMARY STATISTICS

Vendor Non-Compliance – Level-2 Guards

| Level 2 Guard Qualifications Analysis | Percent Guards are NOT in Compliance with Specifications | | | | | | |
|---|--|------|------|------|-----------|------|---------|
| | Command | DAOR | GL | IPS | Paramount | Tort | Tristar |
| Total Number of Guards Evaluated | 52 | 52 | 61 | 58 | 26 | 50 | 16 |
| Number of Guards - Level-2 | 51 | 51 | 61 | 42 | 17 | 46 | 16 |
| Number of Guards - Level-3 | 1 | 1 | 0 | 16 | 9 | 4 | 0 |
| Minimum six months experience as a security guard with a good service record | 21% | 23% | 41% | 22% | 27% | 4% | 75% |
| Minimum 20 years of age | 2% | 0% | 5% | 0% | 4% | 0% | 38% |
| Must be of good moral character, neat in appearance with weight commensurate with height | 100% | 100% | 100% | 100% | 100% | 98% | 100% |
| Fluent in English (verbal and written skills) | 100% | 87% | 100% | 0% | 92% | 100% | 100% |
| Name and address | 0% | 0% | 0% | 0% | 0% | 0% | 6% |
| Date of Birth | 0% | 0% | 0% | 2% | 0% | 0% | 44% |
| Social Security number | 0% | 0% | 0% | 0% | 8% | 2% | 13% |
| Photograph (from photo ID card) | 2% | 4% | 21% | 2% | 4% | 0% | 50% |
| Medical Exam - Within 1 year, certifying good health | 98% | 98% | 100% | 98% | 96% | 98% | 100% |
| Urine drug screening | 98% | 100% | 100% | 100% | 96% | 98% | 100% |
| High School Diploma OR GED | 37% | 31% | 31% | 16% | 73% | 16% | 38% |
| Birth Certificate | 6% | 8% | 16% | 60% | 62% | 50% | 81% |
| Alien Registration Form 19 | 6% | 2% | 33% | 10% | 12% | 4% | 88% |
| Record of Basic Training (NYS Security Guard Act) | 56% | 60% | 92% | 93% | 81% | 22% | 88% |
| Valid current NYS operator's license | 31% | 46% | 61% | 14% | 42% | 42% | 50% |
| Military: Active Duty, Reserves, or National Guard OR Civilian: Probation Officer, Corrections Officer, Police Officer, Auxilliary Cadet, Park Ranger Counselor, OR Security Guard with a minimum of three years experience | 44% | 42% | 59% | 36% | 58% | 18% | 69% |
| Seven-year prior employers check | 77% | 100% | 100% | 100% | 100% | 100% | 100% |
| Neighbors check by an investigator | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| Credit check | 94% | 100% | 100% | 100% | 100% | 80% | 100% |
| Personal references check | 67% | 100% | 98% | 100% | 100% | 100% | 100% |
| Drivers License check | 96% | 88% | 100% | 78% | 85% | 100% | 100% |
| Clinical drug test | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| MMPI Psychological tests | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| Integrity test | 94% | 100% | 100% | 100% | 100% | 42% | 100% |
| Forty (40) hours of basic training | 100% | 92% | 100% | 45% | 96% | 100% | 94% |
| Sixteen (16) hours of site-specific training | 98% | 100% | 100% | 100% | 100% | 100% | 100% |
| Annual in-service refresher training | 79% | 98% | 95% | 74% | 100% | 74% | 100% |

Items in bold are required to be in personnel folder

SUMMARY STATISTICS

Vendor Non-Compliance – Level-3 Guards

| Level 3 Guard Qualifications Analysis | Percent Guards are NOT in Compliance with Specifications | | | | | | |
|---|--|------|-----|------|-----------|------|---------|
| | Command | DAOR | GL | IPS | Paramount | Tort | Tristar |
| Number of Guards - Level-3 | 1 | 1 | 0 | 16 | 9 | 4 | 0 |
| Minimum six months experience as a security guard with a good service record | 0% | 0% | n/a | 25% | 33% | 0% | n/a |
| Minimum 20 years of age | 0% | 0% | n/a | 0% | 0% | 0% | n/a |
| Must be of good moral character, neat in appearance with weight commensurate with height | 100% | 100% | n/a | 100% | 100% | 100% | n/a |
| Fluent in English (verbal and written skills) | 100% | 100% | n/a | 0% | 89% | 100% | n/a |
| Name and address | 0% | 0% | n/a | 0% | 0% | 0% | n/a |
| Date of Birth | 0% | 0% | n/a | 6% | 0% | 0% | n/a |
| Social Security number | 0% | 0% | n/a | 0% | 0% | 0% | n/a |
| Photograph (from photo ID card) | 0% | 0% | n/a | 6% | 11% | 0% | n/a |
| Medical Exam - Within 1 year, certifying good health | 100% | 100% | n/a | 100% | 89% | 100% | n/a |
| Urine drug screening | 100% | 100% | n/a | 100% | 89% | 75% | n/a |
| High School Diploma OR GED | 0% | 0% | n/a | 19% | 67% | 25% | n/a |
| Birth Certificate | 0% | 0% | n/a | 75% | 78% | 50% | n/a |
| Alien Registration Form I9 | 0% | 0% | n/a | 6% | 0% | 0% | n/a |
| Record of Basic Training (NYS Security Guard Act) | 100% | 100% | n/a | 94% | 89% | 25% | n/a |
| Valid current NYS operator's license | 0% | 0% | n/a | 44% | 44% | 25% | n/a |
| Retired Career Military or Former member of Military Elite OR Law Enforcement (minimum 5 years experience) or Police Academy Graduate OR Associates Degree in Criminal Justice AND Prior experience as a Security Guard - minimum 3 years | 0% | 0% | n/a | 81% | 89% | 50% | n/a |
| Seven-year prior employers check | 100% | 100% | n/a | 100% | 100% | 100% | n/a |
| Neighbors check by an investigator | 100% | 100% | n/a | 100% | 100% | 100% | n/a |
| Credit check | 100% | 100% | n/a | 100% | 100% | 100% | n/a |
| Personal references check | 100% | 100% | n/a | 100% | 100% | 100% | n/a |
| Drivers License check | 100% | 100% | n/a | 100% | 100% | 100% | n/a |
| Clinical drug test | 100% | 100% | n/a | 100% | 100% | 100% | n/a |
| MMPI Psychological tests | 100% | 100% | n/a | 100% | 100% | 100% | n/a |
| Integrity test | 100% | 100% | n/a | 100% | 100% | 75% | n/a |
| Forty hours of basic training | 100% | 100% | n/a | 25% | 89% | 100% | n/a |
| Twenty-eight hours of weapons training | 100% | 100% | n/a | 100% | 100% | 100% | n/a |
| Sixteen hours of site-specific training | 100% | 100% | n/a | 100% | 100% | 100% | n/a |
| Sixteen hours per year of in-service training | 100% | 100% | n/a | 100% | 100% | 100% | n/a |
| Annual weapons qualification | 100% | 100% | n/a | 100% | 100% | 100% | n/a |

Items in bold are required to be in personnel folder



KENNETH J. RINGLER, JR.
COMMISSIONER

STATE OF NEW YORK
EXECUTIVE DEPARTMENT
OFFICE OF GENERAL SERVICES
MAYOR ERASTUS CORNING 2ND TOWER
THE GOVERNOR NELSON A. ROCKEFELLER EMPIRE STATE PLAZA
ALBANY, NEW YORK 12242

ROBERT J. FLEURY
FIRST DEPUTY COMMISSIONER

March 12, 2003

Mr. David R. Hancox
Director of Audits and State Expenditures
Office of the New York State Comptroller
110 State Street
Albany, NY 12236

Dear Mr. Hancox:

The Office of General Services (OGS) has prepared its response regarding the State Comptroller's Audit Report 2001-BSE-001, "Use of the Statewide Security Guard Services Contract for the Period January 1, 2001 through December 5, 2002".

We believe the Comptroller's audit identified an important issue: many contractors were supplying security guards that did not comply with the legal or contractual terms and conditions of this statewide centralized contract. Our response contains two sections; the first describes the actions of the Procurement Services Group (PSG) of OGS, as the issuer of the contract and the second section addresses the actions of OGS as an agency user of the contract.

Procurement Services Group Efforts

Using preliminary results of the audit, PSG undertook several efforts to satisfy user's needs for quality guard services. The first step was to inform contract users of the initial problems identified, provide them with a checklist of the contract requirements and to advise them to verify that each guard supplied by a contractor met the contract requirements.

Another of our efforts was to re-examine the terms of the contract and the manner in which agencies were using the contract. It was discovered that certain requirements in our original contract differed from the way the contract was being used by agencies or could not be legally satisfied. Contract users made it clear that they needed us to limit the burden of verifying guard qualifications to critical items. As a result we issued clarified

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Note
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and revised contract requirements and provided a new checklist for use in verifying guard qualifications.

One of the new requirements was for contractors to provide a Certificate of Compliance for each guard. This is a sworn statement by the employer certifying that the guard meets the contract requirements for the level of service requested by the agency. The certificate was required to be signed by an executive of the company and to be notarized. The certification is made under the penalty of perjury. This modification provided a mechanism to prosecute contractors if they continued to provide guards who did not meet the qualifications.

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During the audit we learned that the Department of State (DOS) implemented a comprehensive audit of all contractual security guard employers for compliance with Article 7 and 7A of the New York State General Business Law. In those instances where there was evidence of willful noncompliance, a pattern of noncompliance or circumstances in which the Department was dealing with repeat offenders, DOS took steps to suspend or revoke the licenses of those guard companies. Their ongoing audit program was begun April 1, 2002. The Department of State also advised us they have identified, and begun to implement, steps to provide more reliable evidence of compliance by the guards with the annual in - service training as required by the New York State General Business Law. We believe that with these improvements, the registration process of the Department of State will provide greater assurance that registered guards will have a base level of competency.

Based on the outreach efforts of OGS, it was determined that we should exercise our judgment to clarify and refine the contract requirements in order to help meet contract users needs. We removed requirements that simply duplicated the requirements the Department of State has for registration as a guard. This did not change the contract requirements, as these items simply duplicated DOS requirements. This was done to limit the documentation a contract user needed to review, thus enabling them to focus on key items. We learned that the level two and three guards had often worked at a site for many years and were advanced to a higher level by earning the contract user's trust as a quality guard. These long term experienced guards could expect higher pay from assignments at other locations. Therefore, to retain competent guards who were familiar with a user's facilities and buildings, contract users worked with companies to enable a guard to be upgraded to a higher level so that they would not seek a transfer to another location. Users advised PSG they wanted OGS to limit some of the barriers to upgrading guards to a higher level. OGS clarified the necessary background information a level two and three guard should have and modified other requirements with the objective of requiring only key items that would demonstrate trustworthiness. OGS modified the contract to allow contract users to exercise their judgment, based on their familiarity with and exposure to a guard, and to negate the need for tests to assess integrity or personality inventories for some of the guards.

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Other clarifications made were designed to better match contract requirements to the level guard requested. OGS allowed users to choose whether a driver's license was necessary as it was discovered that the majority of the guards obtained through this contract are not required to drive as part of their duties. We also allowed users to determine if the nature of the guard's duties required a medical exam to document fitness based on the duties of the position. We allowed a user to waive the requirement of a high school diploma or general equivalency degree. We did this in recognition that life experience can also demonstrate a baseline competency in certain common skills such as the ability to learn or other characteristics that might be inferred from a high school diploma or GED. One of the factors that drove this decision was that during our contract review efforts, it was discovered that OGS as an agency user was assigned guards who were prior combat veterans with military citations, yet they did not have a high school diploma. These guards demonstrated competency by their performance as guards in our buildings and we concluded that they should not be subject to employment discrimination simply because they had heeded the call to defend our nation before earning a high school diploma.

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We eliminated some terms that could not possibly be achieved, for example, the original contract required an FBI fingerprint check for higher level guards. In order to have a FBI fingerprint check performed, there has to be a statute in place, permitting the FBI to perform such an investigation. No New York State law currently exists permitting the FBI to conduct a fingerprint check for guards, therefore, the requirement of the FBI fingerprint check could not be satisfied and was removed from the contract.

OGS as a contract user

We also took action as a contract user. OGS obtained documentation that guards working in our buildings were qualified and in instances where contractors could not provide such documentation, we withheld payments and had guards replaced. OGS has also replaced contractors who would or could not comply with the terms of the contract.

The objective and singular purpose of the statewide contract for security guards is to provide/receive security guards that could be relied upon to secure and protect the buildings, property and employees of the State of New York as well as the private citizens who visit our buildings. While recognizing certain deficiencies on the part of the some of the security guard contractors, OGS continues to believe that the statewide centralized security guard contract provided, and user agencies received, guards who did in fact protect state assets, employees and citizens.

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Note
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Our response to the specific recommendations contained within the audit are as follows:

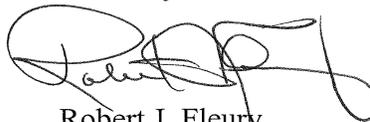
1. User - Verify guards assigned to state facilities have a valid registration card before allowing them to work.
Comments – We have implemented this recommendation.

2. OGS/PSG - Design the award of the next guard services contract so it assures qualified guards are provided to the State.
Comments – Our current contract as modified and the emergency contracts issued currently provide qualified guards to contract users. Our investigation and experience with the current guard contracts, as well as information we have obtained relative to how other groups have contracted for guard services has been used in developing the next contract for guard services.
3. OGS/PSG - Ensure guards are paid a reasonable wage based on contract specifications.
Comments – While the current contract sets forth certain minimum wages for guards, the recently issued emergency security guard contracts does not specify pay rates. OGS believes that the skills a guard must have to meet the contract requirements as well as market forces will drive adequate pay rates. Further, PSG does not routinely audit compliance with the terms of statewide centralized contracts. Contract users are in the best position to monitor contractor compliance. PSG does and will continue to take action when contract users bring problems with their contractors to our attention. If contract terms need ongoing auditing, OSC as the State’s auditor is in the best position to conduct such audits.
4. User - Develop a monitoring system to ensure qualified guards provide security.
Comment – Contract users are to insist upon the Certificates of Compliance. OGS provided a checklist of items for all users to follow to ensure guards assigned to their facility are qualified. OGS building managers have also developed a simple checklist with the dates that key items expire so they can ensure guards remain qualified through the life of the contract. The procurement instructions of the new contract award may recommend similar checklists to be used by Authorized Users.
5. User – Develop a system to ensure payment of only bona fide guard services invoices.
Comments –Our efforts currently ensure that only qualified guards are assigned to our buildings. Our building managers previously had procedures to ensure the number of hours billed by the contractor is accurate. Our Claims Unit further verifies that the rates billed on the contractor’s invoice agree with the contract rates.
6. OGS/PSG - Design future specifications to ensure the availability of quality guards based on the desired level of service.
Comments – Our current contract and the emergency contracts are providing quality guards. The current RFP, which is being processed for award, provides terms and conditions to meet this recommendation.

In conclusion, we appreciate the efforts of the OSC auditors as their audit identified issues with the statewide guard services contract of which OGS was unaware.

We believe that our investigation and review efforts, combined with those of the many contract users have resolved the issues with contractor performance identified in the audit. Our future contract will incorporate what has been learned; to ensure that contract users receive the tools they need to confirm only competent guards are hired to protect this State's assets, employees and citizens.

Sincerely,

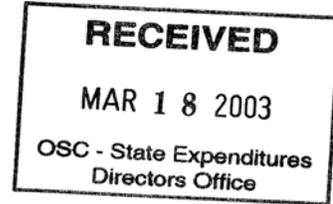


Robert J. Fleury



SENIOR VICE PRESIDENT
& CHIEF OPERATING OFFICER

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March 12, 2003

David R. Hancox, CIA, CGFM
Director of Audits & State Expenditures
Office of the State Comptroller
110 State Street
Albany, New York 12236

Re: Draft Audit Report (2001-BSE-001)

Dear Mr. Hancox:

I am responding on behalf of President Gregory Williams to your request for comments regarding the draft report from the Office of the State Comptroller on its audit of the payments for qualified and registered security guards under the Statewide Security Guard Services contract for the period January 1, 2001 through December 5, 2002.

We assessed the practices of the College with reference to the findings and recommendations of the draft report, and report that the college has procedures in place for: (1) monitoring the documentation of qualifications transmitted by the contract vendor for any proposed security guard prior to putting the guard on duty; (2) maintaining a copy of the contract vendor's employee folder; (3) ensuring that all guards display the registration card on their uniforms when on duty; and (4) verifying the accuracy of vendor invoices through time logs and assignment sheets before the invoices are processed. It is our understanding that these practices implement the draft report's recommendations.

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Note
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Thank you for this opportunity to comment. If you have any questions, please feel free to contact me at 212 650 7309.

Sincerely,

Lois S. Cronholm
Chief Operating Officer and Senior Vice President

c: Gregory H. Williams, President
Timothy Hubbard, Director of Security
Jean E. Davis, Audit Liaison

THE CITY UNIVERSITY OF NEW YORK



STATE OF NEW YORK
DEPARTMENT OF MOTOR VEHICLES
6 EMPIRE STATE PLAZA
ALBANY, NY 12228

RAYMOND P. MARTINEZ
Commissioner

GREGORY J. KLINE
Deputy Commissioner
For Administration



March 24, 2003

Mr. David R. Hancox, CIA, CGFM
Director of Audits & State Expenditures
Office of the State Comptroller
110 State St.
Albany, New York 12236

Dear Mr. Hancox:

Thank you for this opportunity to comment on your draft audit report (2001-BSE-001) regarding the use of the Statewide Security Guard Contract for the period January 1, 2001 through December 5, 2002.

The following are the Department's responses to the Recommendations to User Agencies contained in your report:

Recommendation #1

We agree that the Department should verify that guards assigned to facilities have a valid registration card before allowing them to work.

We would like to clarify that guards in our Motor Vehicle offices do not have access to photo Driver Licenses and Non-Driver IDs. These are not stored in our offices and are not accessible to people in those offices. DMV takes the security of our documents very seriously and we believe NYS is at the forefront of this effort nationally.

Recommendation #4

We generally agree that the Department should develop a monitoring system to ensure that guards are qualified. It is problematic, however, for the Department to develop a system that would fully verify the contract requirements for each guard that is supplied by the vendor. The amount of resources required to effectively implement such a system (even Level 1 guards require verification of 15 unique specifications) could greatly diminish the benefits provided. We would be interested in any suggestions that OSC could provide to assist us in this area.

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Note
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Recommendation #5

We see this recommendation as related directly to Recommendation #4. Again, we would be interested in any suggestions that OSC could provide to assist us in this area.

If you have any questions or concerns relative to this reply, you may contact Edward J. Wade, Director of Audit Services, at (518) 474-0881.

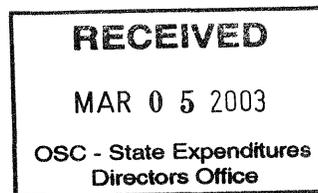
Sincerely,

A handwritten signature in black ink, appearing to read 'Gregory J. Kline', with a long horizontal flourish extending to the right.

Gregory J. Kline



STATE OF NEW YORK
DIVISION OF MILITARY AND NAVAL AFFAIRS
330 OLD NISKAYUNA ROAD
LATHAM, NEW YORK 12110-2224



GEORGE E. PATAKI
GOVERNOR
COMMANDER IN CHIEF

28 FEB 2003

THOMAS P. MAGUIRE, JR.
MAJOR GENERAL
THE ADJUTANT GENERAL

Mr. David R. Hancox
Director of Audits & State Expenditures
Office of the State Comptroller
110 State Street
Albany, New York 12236

Dear Mr. Hancox:

Thank you for allowing the Division of Military and Naval Affairs to reply to your report concerning statewide security guard services.

We have reviewed the findings and recommendations in the report. As soon as this agency became aware that the vendor was not providing qualified guards, we immediately requested written documentation certifying all guards. When that documentation was not presented, we, in coordination with the Office of General Services (OGS), terminated the contract.

We have also implemented a requirement for other vendors to substantiate their guard qualifications at three other locations where we use the statewide contract. Our findings at these sites have been positive. In addition, we are conducting a complete review of our physical security plans at Camp Smith.

Finally, we have implemented a requirement to review all billing statements to insure that we are paying the appropriate amount for the services provided.

We are committed to working with OGS to improve the contracting process for security guard services.

Thank you for your assistance.

Sincerely,

Thomas P. Maguire, Jr.
Major General, New York
Air National Guard
The Adjutant General



ROBERT R. SNASHALL
CHAIRMAN

STATE OF NEW YORK
WORKERS' COMPENSATION BOARD
100 BROADWAY-MENANDS
ALBANY, NY 12241

(518) 473-8900

February 12, 2003



GLENN WARREN
DIRECTOR OF ADMINISTRATION

Mr. David R. Hancox, CIA, CGFM
Director of Audits & State Expenditures
Office of the State Comptroller
110 State Street
Albany, NY 12236



Dear Mr. Hancox:

This is in response to your letter of January 28, which transmitted the draft audit report (2001-BSE-001) on the payment for qualified and registered security guards.

The draft audit contains three recommendations related to user agencies. These are listed below with our comments related to each.

1. **Verify guards assigned to state facilities have a valid registration card before allowing them to work.** The Board is in full compliance with this recommendation and maintains file containing a copy of the registration card on each guard assigned to the Board.
4. **Develop a monitoring system to ensure qualified guards provide security.** The Board maintains a file on each guard. That file contains both a copy of that guard's registration card from the Department of State and the affidavit from the guard service company stating the guard is qualified under the Office of General Services contract.
5. **Develop a system to ensure payment of only bona fide guard services invoices.** The auditors' review of the guard service company payment process employed by the Board did not reveal any deficiencies. As a result we have not changed any of our payment procedures.

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Thank you for the opportunity to comment on the findings related to the Board in your draft audit. If you have any questions regarding these comments, please contact Joseph Smith at 518 402-0373.

Sincerely,

Glenn Warren
Glenn Warren

cc: J. Smith
K. Griffin
C. King

State Comptroller's Notes

1. It's important for agency staff to verify each guard is qualified according to all contract specifications. The Office of General Services should encourage contract users to embrace contract monitoring as an essential part of contract use.
2. We recognize this remedy for cases of non-compliance, however, as stated in our audit, these certificates of compliance can provide a false sense of security to user agencies that guards are qualified when they aren't. User agencies should monitor the contract to ensure each guard meets all contract requirements.
3. The Department of State registration process does not cover many of the requirements the Office of General Services managers removed from the contract (e.g., MMPI Psychological test, high school diploma or GED, additional training required beyond Department of State requirements).
4. These statements support our assertion that guard companies need to offer reasonable wages for the qualifications outlined in the contract. Agency representatives were not authorized to modify contract requirements to allow unqualified guards to work at facilities or to provide them with upgrades to a higher level of pay. Higher-level pay is available to guards with more qualifications, not for user agencies to pay more money to guards without enough credentials for even the lowest level. User agencies shouldn't make the decision to upgrade a specific guard to a higher level; rather, they should identify the level of service they need and allow the guard company to provide a guard qualified at that level.
5. The Office of General Services managers set the original specifications calling for guards to have either a high school diploma or general equivalency diploma. This specification has nothing to do with discrimination against veterans but rather was intended to recognize the importance of basic education as a way of demonstrating skills or a learning capacity. Our audit also recognizes the importance of ensuring user agencies receive the services as required under the contract and that user agencies are not authorized to waive any requirements unless specifically allowed in the contract.
6. User agencies ordered guards at levels needed to protect their facilities, yet none of the guards met the qualifications at those levels. As the audit reported, some guards admitted to drug use, one guard was drinking on the

- job, one guard left the scene of an accident, most guards weren't properly trained and many didn't have the required experience under the contract. We question the level of protection provided by these and other unqualified guards.
7. We recognize the importance of verifying the accuracy of vendor invoices through time logs and assignment sheets, however this isn't enough to guard against fraudulent invoices. City College managers should establish controls to ensure the guards on the invoices are qualified at the level at which the guard company is billing the agency.
 8. It's important to have systems in place to ensure agencies receive what they ordered. Without an effective system to verify security guards meet all contract specifications, the Department of Motor Vehicles managers (managers) are exposing their employees, their assets and the visiting public to risk. In fact, subsequent to the end of our fieldwork, we found managers continue to hire unqualified and unregistered guards to protect Motor Vehicle offices. Our experience shows it doesn't take much time to verify guards' credentials. We stand ready to advise managers in developing an appropriate system.
 9. Department of Motor Vehicles managers should have procedures in place to ensure they are paying only for bona fide invoices. In our audit, one guard company submitted fraudulent invoices totaling over \$400,000 for unregistered guards which managers paid. Subsequent to the end of our audit, managers attempted to pay up to \$274,000 to another security guard company for invoices they hadn't determined were bona fide. We encourage managers to develop an effective system to combat this risk and stand ready to advise them.
 10. Based on the findings in this audit report, we caution Workers Compensation Board managers relying on certificates of compliance as proof (along with guards' registration cards) that guards are qualified under the contract. The managers should establish a system to ensure each guard meets all contract requirements.
 11. In our discussions with Workers Compensation Board managers we advised managers the guards at their offices were not qualified under the contract, yet managers paid the guard company about \$68,000 as though they were. We encourage managers to establish a system to ensure payment for only bona fide guard services invoices.