

ALAN G. HEVESI  
COMPTROLLER



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STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER

August 21, 2006

Mr. James W. McMahon  
Director  
New York State Office of  
Homeland Security  
Harriman State Office Campus  
1220 Washington Avenue  
Building 7A, 7<sup>th</sup> Fl.  
Albany, NY 12226

Re: Administration of Contract C833830  
State Homeland Security Grant  
Program - Part II  
2005-R-2

Dear Mr. McMahon:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law, we audited the Administration of Contract C833830 State Homeland Security Grant Program - Part II. Our audit covered the period April 1, 2003 through September 30, 2005.

**A. Background**

The Wartime Supplemental Appropriations Act of 2003, the U.S.A. Patriot Act of 2001, and the Homeland Security Act of 2002, provides states and local governments with additional funds to participate in national efforts to combat terrorism. Each state received additional financial assistance from the Federal Department of Homeland Security for the 2003 Fiscal Year through the 2003 State Homeland Security Grant Program to enhance first responder preparedness and to mitigate the costs of enhanced security at critical infrastructure facilities during the war in Iraq and in future periods of heightened threats. The 2003 State Homeland Security Grant Program - Part II (Grant) provided supplemental financial assistance for these purposes. Between April 1, 2003 and October 30, 2005, New York City (City) received Grant funds totaling almost \$27 million.

Authorized Grant expenditures for Critical Infrastructure Protection included:

- Public safety overtime costs;
- Contract security personnel costs; and

- State ordered National Guard deployments required to augment security at critical infrastructures during the Iraq war and in future periods of heightened threats.

Authorized Grant expenditures for First Responder Preparedness included funds for:

- Procurement of specialized emergency response and terrorism incident prevention equipment;
- Design, development, conduct and evaluation of combating terrorism exercises;
- Institutionalizing awareness and performance level training at the State and local level; and
- Planning and administrative costs associated with updating and implementing the State's homeland security strategy.

Oversight of Grant-related activities is shared by the New York State Office of Homeland Security, which monitors program-related issues, and the New York State Division of Criminal Justice Services (DCJS), which monitors and reports on Grant-funded expenditures. DCJS is the State's designated agency for administering federal and State funds earmarked for criminal justice purposes. DCJS must report to the U.S. Department of Justice on the City's use of Grant funds on a quarterly and semi-annual basis. (The Office of Homeland Security advised us that effective February 2006, DCJS program and fiscal responsibilities were transferred to the Office of Homeland Security.)

DCJS contracted with the City's Office of Management and Budget (OMB) to manage expenditures of Grant funds by the New York Police Department (NYPD) and the Fire Department of New York (FDNY). OMB and the New York City Office of Criminal Justice Coordinator (CJC) oversee Grant expenditures at the City level to confirm that Grant-funded costs are in compliance with Federal Grant Guidelines (Guidelines) and contract documentation and reporting requirements. The Guidelines require that Grant recipients use Grant monies for only authorized and allowable purposes, and obtain and account for Grant-funded equipment in accordance with certain minimum standards.

As of March 31, 2005, the City had expended more than \$19 million of the \$27 million in available Grant funds: the NYPD spent \$13 million, and the FDNY spent \$6 million.

## **B. Audit Scope, Objectives and Methodology**

We conducted our audit in accordance with generally accepted government auditing standards. We audited selected aspects of DCJS' administration of Contract C833830 for the period April 1, 2003 through September 30, 2005.

To perform our audit, we reviewed the contract and associated documents, and examined selected records maintained by the DCJS, State Homeland Security, OMB, CJC, NYPD and FDNY. We also interviewed relevant officials and staff at each of these agencies. In addition, we performed various audit tests of sampled equipment and supply items.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State, several of which are performed by the Division of State Services. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions and public authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these management functions do not affect our ability to conduct independent audits of program performance.

**C. Results of Audit**

Our audit identified certain areas in which controls over the administration of Contract funds needed to be improved. These findings and recommendations were provided to agency officials during the conduct of the audit. The details of our findings and recommendations are not included herein due to the sensitivity of the information. A follow-up audit will be made of the detailed findings and recommendations to assess the extent to which our recommendations have been implemented.

**Recommendation**

*Implement the recommendations detailed during the audit for strengthening controls.*

A draft copy of this report was provided to the Office of Homeland Security officials for their review and comment. Office of Homeland Security officials advised us that findings have been addressed. Their comments were considered in preparing this report, and are included as Appendix A.

Within 90 days after the final release of this report, as required by Section 170 of the Executive Law, the Director of the Office of Homeland Security shall report to the Governor, the State Comptroller and 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.

Major contributors to this report include Frank Patone, Tony Carbonelli, Peter Schmidt, Legendre Ambrose, Carole LeMieux, and Nancy Varley.

We wish to thank the management and staff of the various agencies and counties we visited for the courtesies and cooperation extended to our auditors during this audit.

Very truly yours,

William P. Challice  
Audit Director

cc: Lisa Ng, Division of the Budget



James W. McMahon  
Director

**NEW YORK STATE  
OFFICE OF HOMELAND SECURITY**  
Harriman State Office Campus  
1220 Washington Avenue  
Building 7A, 7th Floor  
Albany, NY 12226

July 13, 2006

Mr. Peter Schmidt  
State Program Examiner II  
Office of the State Comptroller  
123 William Street – 21<sup>st</sup> Floor  
New York, NY 10038-3804

Dear Mr. Schmidt:

As you may be aware, a transfer of Homeland Security functions, from the Division of Criminal Justice Services (DCJS), to the Office of Homeland Security (OHS), occurred in February 2006. As a result of the transfer, all program and fiscal responsibilities for the administration of the Federal Homeland Security funds are now the responsibility of OHS. As such, OHS will respond to all audit reports pertaining to Homeland Security funding.

OHS is in receipt of your final report regarding contract C833830 between DCJS and the City of New York. We have noted that the audit did not reveal any significant findings, and that there are not any findings applicable to DCJS or OHS that need correcting.

A response to the findings, pertaining to the NYC Fire Department's inventory management system, was addressed in a letter to OSC in October 2005. In the letter, the Fire Department stated that they were in the process of upgrading inventory management systems for critical frontline support units. The new system will provide improved tracking of grant-funded items by streamlining the process for asset management, inventory, purchasing, work management, analysis and reporting. A copy of the letter is attached.

The final audit report has been reviewed to determine if there are any items that, due to the confidential nature of the program, should not be disclosed to the public. It has been determined that no breach in confidentiality will arise as a result of the release of the report.

Please feel free to contact me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "James W. McMahon".

James W. McMahon  
Director

Attachment



## FIRE DEPARTMENT

9 MetroTech Center Brooklyn, NY 11201-3857

IRENE SULLIVAN  
*Director of Grant Development*  
Intergovernmental Affairs

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June 28, 2006

Shelley Wahlrich  
Office of Homeland Security  
1220 Washington Avenue, Building 7A, Rm 610  
Albany, NY 12242

Dear Ms Wahlrich:

Thank you for the opportunity to respond to the recommendation that the FDNY enhance its equipment management databases and establish bar coding systems for tracking of consumable items.

I am pleased to report to you that the Fire Department is in the process of upgrading inventory management systems for critical frontline support units. These units include the Technical Services Division, Special Operations Command, Hazardous Materials Units, Radio Repair Unit, and EMS Pharmacy. These are the units most likely to be in receipt of equipment purchased through Homeland Security grants.

The new system will provide for improved tracking of grant-funded items by streamlining the process for asset management; inventory; purchasing; work management; analysis and reporting. It includes two applications for bar-coding, electronic data collection, and mobile management of assets, inventories and work requests.

Sincerely,

Irene Sullivan