



STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

March 21, 2014

Jerome M. Hauer
Commissioner
Division of Homeland Security and
Emergency Services
1220 Washington Avenue
Albany, NY 12226

Re: Report 2013-0003-01

Dear Commissioner Hauer:

Our Office is performing an examination¹ of payments the Division of Homeland Security and Emergency Services (DHSES) made in response to Superstorm Sandy (Sandy). The objectives of our examination are to determine if DHSES conducted appropriate procurements, paid appropriate prices, and received the quality and quantity of goods and services it procured during the Sandy response. The examination is ongoing and we will keep you informed of our findings as we progress. At this time, we are reporting our results on the accounting for and distribution and/or recovery of certain equipment.

We shared a draft copy of this report with DHSES and considered your response (Attachment A) in preparing this report. The comments of the State Comptroller on the DHSES response are in Attachment B. DHSES generally agreed with our recommendations and has, or is in the process of, overhauling processes and procedures to manage procurement, receiving, and asset management during emergencies.

DHSES provides assistance to local and State government entities during emergencies. In response to the Sandy disaster, DHSES purchased 1,000 portable Pelican LED lights totaling approximately \$360,000; 1,000 portable heaters totaling approximately \$73,000; and 811 generators totaling approximately \$739,500 to ensure polling stations were operational on Election Day. After the election was over, DHSES distributed some of this equipment to additional locations (e.g., firehouses) for other Sandy relief efforts.

We reviewed vendor invoices, inventory records and related documentation; visited storage warehouses in Oriskany, Queensbury, and Bloomingburg, New York; and spoke with DHSES

¹We performed our examination in accordance with the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution, as well as Article II, Section 8, and Article VII, Section 111 of the State Finance Law.

representatives from DHSES' State Emergency Management and Fire Prevention and Control offices to determine if DHSES complied with: (i) Budget Bulletin B-1203 related to the maintenance of records, (ii) Title 2, Chapter 1, Section 16.16 of the Codes, Rules and Regulations of the State of New York regarding satisfactory evidence of the receipt of goods, and (iii) Section 167 of the State Finance Law regarding the disposal of property.

We found DHSES did not effectively account for the lights, heaters, or generators prior to distribution, effectively track their location during the emergency, or develop a plan to recover them until after the equipment was distributed to the firehouses and other locations. Then, contrary to the plan to recover all lights, heaters and generators, DHSES sought to recover only the generators. We also found that DHSES did not maintain any receiving records to show it received all the equipment it paid for, or maintain sufficient records to adequately support the distribution of the equipment.

As a result, of the \$1.17 million in equipment in our review, DHSES paid \$562,000 for equipment that was either: (i) never received, (ii) disposed of in a manner contrary to the State Finance Law, or (iii) was not recovered. This includes approximately \$229,000 for 637 lights, \$73,000 for 1,000 heaters, and at least \$260,000 for 246 generators. We have reasonable assurance DHSES has possession of the remaining 363 lights and 565 generators.

Recommendations

- 1) *Maintain appropriate documentation to support equipment procurement and receiving.*
- 2) *Develop a plan to properly account for, track, recover and/or dispose of all equipment/commodities purchased during future emergencies.*
- 3) *Recover outstanding generators or seek reimbursement for items not returned.*
- 4) *Determine if DHSES received all of the lights purchased for Sandy relief efforts. Recoup all payments made for lights not delivered.*
- 5) *Reassess the decision not to recover lights for use in future emergencies and take action as appropriate.*

We would appreciate your response to this report by April 4, 2014, indicating any actions planned to address the recommendations in this report. We thank the management and staff of the Division of Homeland Security and Emergency Services for the courtesies and cooperation extended to our auditors.

Sincerely,

Bernard J. McHugh
Director of State Expenditures

Enc: Attachment A
Attachment B

NEW YORK STATE
DIVISION OF HOMELAND SECURITY AND EMERGENCY SERVICES

Andrew M. Cuomo, Governor

Jerome M. Hauer, Commissioner

February 5, 2014

Bernard J. McHugh
Director of State Expenditures
Office of the State Comptroller
110 State Street
Albany, NY 12236

Dear Mr. McHugh:

Thank you for your letter of January 23, 2014, which outlined the preliminary findings of your office's ongoing examination of purchases and payments made by the Division of Homeland Security and Emergency Services (DHSES) related to the Superstorm Sandy response effort. Beginning before landfall on October 29, 2012, federal, state, county and local governments all mounted an astonishing response and recovery effort that likely will be recorded as the most massive in the history of the United States.

Among the priorities set by Governor Cuomo in the immediate aftermath of the storm was that voting on Election Day, November 6th be conducted in as normal a fashion as possible. The Division was ordered to assist New Yorkers left in Sandy's wake in exercising their most basic right as citizens—the right to vote. The importance of the day was heightened in that New York would be voting in elections for President of the United States, United States Senate, the House of Representatives and the entire New York State Legislature.

Using the best information available at the time, DHSES planned to support approximately 400 polling places. To prepare accordingly, DHSES engaged in a series of purchases so that generators, lights and heaters could be made available to any polling place still without power on Election Day. To this end, as you note in your letter, DHSES purchased 1,000 portable "Pelican" lights, 1,000 portable heaters, and 811 generators.

DHSES believes it acted responsibly in the procurement, deployment and recovery of resources related to Superstorm Sandy. Moreover, to build on the knowledge gained during Sandy and better prepare the State to respond to future disasters, the State engaged PricewaterhouseCoopers (PwC) to recommend improvements in how the State stockpiles, procures, tracks and deploys disaster-related resources. We also value the input and comments from your office, and offer the following responses to your specific recommendations:

(1) Maintain appropriate documentation to support equipment procurement and receiving.

DHSES has already overhauled the procurement and receiving procedures used by agency personnel for both day to day, "steady state" operations and during disaster activations. DHSES has partnered with the Office of General Services (OGS) to identify an emergency procurement surge team of non-DHSES employees with purchasing or administrative backgrounds, to handle the high volume of purchase

requests generated during a large-scale activation. Specific emergency procurement roles, responsibilities and procedures are being documented, and surge team members are being trained in emergency purchasing and procurement practices.

DHSES was not able to utilize the purchasing modules in the Statewide Financial System (SFS) during the Sandy response due to system and logistical shortcomings at the time. Going forward however, DHSES will be using SFS to document and support all phases of disaster purchases, including receiving of goods, services and equipment.

- (2) *Develop a plan to properly account for, track, recover and/or dispose of all equipment and commodities purchased during future emergencies.*

Since the Sandy response, DHSES has reviewed and updated its asset management resources and procedures, including those related to logistics tracking and equipment deployment. New technology systems are now being implemented, including a new inventory management module in SFS that became operational in December 2013 that will be used to track the whereabouts of items in the Division's custody, and newly-acquired Geographic Positioning System (GPS) devices that will be used to track the whereabouts of larger, non-consumable assets when deployed in the field during response efforts.

Specific procedures are now being drafted on the proper use of these new systems by agency staff. Other procedural improvements are also under development, including stronger procedures for verifying the credentials and identity of persons and agencies who receive DHSES-owned equipment.

- (3) *Recover outstanding generators or seek reimbursement for items not returned.*

DHSES maintained spreadsheets tracking the status of all of the items purchased during the Election Day effort, and agency staff have made a considerable and sustained effort to recover all of the generators purchased in the Election Day effort; of the 811 generators purchased, 708 (or 87%) are either in DHSES' current possession or are otherwise accounted for. Initial requests to return outstanding generators were made in early 2013 through county emergency management offices. More concentrated, direct efforts followed, with registered letters sent in both May and June and follow up phone calls made in July.

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Comment
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- (4) *Determine if DHSES received all of the lights purchased for Sandy relief efforts. Recoup all payments made for lights not delivered.*

DHSES has verified and documented the agency's receipt of all of the lights purchased for the Election Day effort.

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Comment
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- (5) *Reassess the decision not to recover lights and heaters for use in future emergencies and take action as appropriate.*

Following Sandy, DHSES focused its equipment recovery efforts on higher cost, durable goods that would be of significant operational value during future disaster response efforts; specifically here, generators. After internal discussions evaluating the costs and benefits of recovering all items deployed to the polling places, the decision was made to lower the recovery priority for Pelican lights and heaters.

Given the higher likelihood for damage to these items while deployed, DHSES concluded that safe re-use in future emergencies could not be assured. Further, the cost of recovery, testing and storage of these items, compared to their low unit cost (\$250 for Pelican lights, \$73 for heaters), argued for a lower priority for recovery.

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Comment
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DHSES management has recognized the need to strengthen its practices and procedures with regard to documenting disaster purchases and tracking and receiving purchased response assets and, with the assistance of PwC, has already implemented significant improvements in both regards. DHSES is confident that these improvements will enhance the effectiveness of the agency to respond to future incidents and disasters on a timely basis, while maintaining appropriate records and controls on the use of State assets.

DHSES is proud of its performance during the State's response to the damage and destruction wreaked by Superstorm Sandy and especially proud of the fact that all polling places in Nassau and Suffolk counties were open on Election Day 2012.

Please convey my appreciation to your staff for the thorough, professional review.

Sincerely,

s/

Jerome M. Hauer, Ph.D., MHS

State Comptroller Comments on Auditee Response

1. DHSES responded that it either has possession of, or has otherwise accounted for 708 of the 811 generators. Accordingly, that leaves 103 generators missing and, based on our review, 143 that DHSES has accounted for but not yet recovered. DHSES should recover the generators or seek reimbursement consistent with Section 167 of the State Finance Law. DHSES should also seek and recover the 103 missing generators.
2. DHSES responded that it verified and documented the agency's receipt of the lights. Subsequent to the response, DHSES provided additional documentation in an effort to support this statement. However, this documentation does not support the receipt of the lights.
3. Based on DHSES' response and the cost of the heaters, we removed recovering the heaters from recommendation number 5. DHSES also stated that after internal discussions evaluating the cost/benefit of recovering the lights and safety concerns of reusing them, they decided not to recover the lights. However, DHSES did not provide information about the cost/benefit or condition of the lights to support its decision. Accordingly, we recommend DHSES should reassess the decision not to recover the lights.



NEW YORK STATE
DIVISION OF HOMELAND SECURITY AND EMERGENCY SERVICES

Andrew M. Cuomo, Governor

Jerome M. Hauer, Ph.D., MHS, Commissioner

April 11, 2014

Mr. Bernard J. McHugh
Director of State Expenditures
Office of the State Comptroller
110 State St.
Albany, NY 12236

Re: Final Response to OSC Report 2013-0003-01

Dear Mr. McHugh:

As you discussed with Deputy Commissioner Michael Perrin by phone on March 21st, the Division of Homeland Security and Emergency Services (DHSES) acknowledges receipt of the subject report.

In general, DHSES stands by the two responses provided to your office on this matter dated February 5th and February 25th. However, as previously noted we value the comments provided and specifically note the following with respect to the five recommendations offered in the report:

1) Maintain appropriate documentation to support equipment procurement and receiving.

DHSES appreciates the recognition by the Office of State Comptroller that a great deal of work has been achieved to improve the procurement and receiving practices moving forward. In addition to comments offered in previous responses, DHSES has and will continue to strengthen its capabilities in this area. We are very close to completing a set of standard operating procedures in conjunction with the Office of General Services for emergency procurement, including surge staffing capability. This will allow 40-50 trained, experienced state procurement professionals to join our emergency management team during activations to maximize compliance with purchasing procedures and record keeping. The Office of the State Comptroller will be consulted on its role in this plan. Further, DHSES is working closely with OGS to establish standing "back drop" contracts to provide emergency equipment and services with established reporting and record keeping requirements.

2) Develop a plan to properly account for, track, recover and/or dispose of all equipment/commodities purchased during future emergencies.

DHSES has nearly completed documenting roles, responsibilities and procedures for field deployment of State assets. A GPS tracking system is already in place for assets valued over \$2,000, the SFS Inventory module has been activated for in-stockpile use, and deployment tracking improvements are in progress.

3) Recover outstanding generators or seek reimbursement for items not returned.

DHSES stands by its assertion that efforts in this area have been reasonable and diligent and, as such, a realistic assessment of the State's ability to recover outstanding equipment or seek reimbursement appears uncertain.

- 4) *Determine if DHSES received all of the lights purchased for Sandy relief efforts. Recoup all payments made for lights not delivered.*

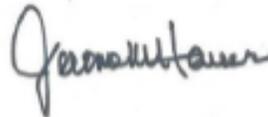
Again, DHSES stands by its assertion that all of the subject lights were, in fact, received. We do, however, acknowledge that standard documentation, such as signed receipts, cannot be located and will be addressed moving forward.

- 5) *Reassess the decision not to recover lights for use in future emergencies and take action as appropriate.*

As previously noted, temporary battery-powered lights -- such as those that were the subject of this review -- are not being procured for the new DHSES stockpiles, as it is unlikely that there would be a need to deploy such equipment again in the future. If such a need does arise, new in-field asset tracking procedures and systems will be in place to allow tracking and retrieval should that be deemed appropriate.

Again, DHSES acknowledges and appreciates the encouraging comments made by Comptroller DiNapoli in the announcement of this report. Further, the continued partnership with OSC will be important to improving procurement and purchasing procedures for future emergencies. And once again, my staff and I appreciate the professional and thorough work of OSC staff.

Sincerely,



Jerome M. Hauer, Ph.D., MHS
Commissioner

cc: Comptroller DiNapoli
Michael Perrin
Jim Davidson