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November 13, 2018

Mr. Roger Parrino
Commissioner
Division of Homeland Security and Emergency Services
1220 Washington Avenue
State Office Campus
Building 7A, Suite 710
Albany, NY 12242

Re: Awarding and Oversight of Statewide
Interoperable Communications Grants
Report 2018-F-27

Dear Commissioner Parrino:

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 have followed up on the actions taken by officials of the Division of Homeland Security and Emergency Services (Division) to implement the recommendations contained in our audit report, *Awarding and Oversight of Statewide Interoperable Communications Grants* (Report 2016-S-90) issued on July 18, 2017.

Background, Scope, and Objective

The Division oversees and directs the development, coordination, and implementation of policies, plans, standards, programs, and services related to interoperable and emergency communications. Within the Division, the Office of Interoperable and Emergency Communications is responsible for administering the Statewide Interoperable Communications Grants (SICG) program, which awards grants to counties to help them enhance their emergency response capabilities to support statewide communications between emergency responders (interoperable communications).¹ The SICG program is funded by cellular communications surcharge revenue.

The Division established certain requirements that counties must meet to be eligible for grant awards. Funds are distributed through vouchers that counties submit to the Division for reimbursement of expenses. The Division is responsible for reviewing vouchers to ensure expenses are appropriate and consistent with contract requirements. Counties are required to maintain all supporting documentation of expenses and to make this documentation available

¹ For purposes of this report, all five counties of New York City are combined and identified collectively as "New York."

upon request. The Division also monitors counties' activity through site visits, telephone calls, and Regional Consortiums to ensure counties are making improvements appropriately and timely.

From December 21, 2011 through October 12, 2018, the Division awarded 252 grants in seven rounds of funding totaling \$382 million. For Rounds 1 through 4, issued between 2011 and 2015, contracts were awarded based on a combination of pass/fail and scored evaluation methods, and distributed based on total score, highest to lowest; Round 3 eligibility was limited to counties that applied for but did not receive any funding in the previous rounds. For Rounds 5 through 7, issued between 2017 and 2018 (totaling \$135 million), the Division determined awards using a formula-based system. All counties that applied for grants during Rounds 5 through 7 received funding.

Our initial audit report, covering the period April 1, 2010 through April 5, 2017, examined whether the Division awarded contracts to entities that met eligibility requirements and provided adequate oversight of SICG awards to ensure grant funds were allocated and spent for intended purposes. The audit report concluded that the Division awarded SICG funding to qualified recipients in accordance with its requirements, and that it assessed and re-evaluated its eligibility criteria after each round of awards was issued to ensure that the SICG program achieved its intended goal of statewide interoperability. While we identified certain process deficiencies in the areas of monitoring and documentation that could increase the risk of inappropriate use of funds and hinder the Division's progress toward statewide interoperability, we found the Division was generally meeting its obligations for ensuring that grant funds were appropriately allocated. Additionally, we found the Division did not have procedures in place to conduct regular site visits to physically verify the status of counties' projects. When site visits were conducted, staff were not required to document results for progress tracking purposes. Also, the reimbursement voucher approval process did not have a mechanism in place to trigger closer scrutiny of larger voucher amounts, which pose a higher risk of misuse. Furthermore, staff were not required to document instances where they had identified questionable voucher requests and requested additional documentation for review, which limited the Division's ability to monitor counties for potential patterns of misuse. The Division's policy regarding documentation for grant extension requests was not clearly stated, nor did it strictly enforce its documentation requirements.

The objective of our follow-up was to assess the implementation, as of October 26, 2018, of the three recommendations included in our initial report.

Summary Conclusions and Status of Audit Recommendations

We found that the Division has significantly addressed the issues identified in our original audit. Of the three prior recommendations, all three were implemented.

Follow-Up Observations

Recommendation 1

Develop procedures that will enhance monitoring of SICG grants, including (but not limited to) site

monitoring and improvements to the expenditure reimbursement approval process.

Status - Implemented

Agency Action - Since our initial audit, the Division has enhanced its policies and procedures for monitoring grantee compliance with contract requirements. Monitoring is now conducted via phone calls, desk reviews, or site visits. On-site monitoring is conducted on most open contracts based on a risk assessment that determines the timing and frequency of the visits. Typically, a report documenting the visit is completed within 10 business days of the exit meeting. We received a listing of all SICG site visits conducted since July 18, 2017, as documented in the Division's E-Grants system. In addition, we reviewed a sample of six site visit reports from the total of 59 visits, and found that all six reports included monitoring visit details specifically relating to the SICG grants. The Division also established formal written procedures, effective August 24, 2018, that require any SICG voucher with an expense of \$100,000 or more to include proof of expenditure and proof of payment in order to be approved for reimbursement. We found that one voucher with an expense over \$100,000 was received and processed after the effective date of the new procedure. However, this voucher didn't include proof of payment. When we brought this to the attention of Division staff, the required supporting documentation was obtained from the grantee and provided to us within one day.

Recommendation 2

Identify and assess reasons for past inconsistencies in approving grant extensions and implement additional controls to ensure compliance with Division requirements.

Status - Implemented

Agency Action - In its 90-day response to our original audit report, the Division stated that it "does not believe it is necessary to revisit prior contract extensions," as many of the contracts that were extended have since been closed. We reviewed a listing of closed SICG contracts and found that 58 of 137 contract extensions awarded through 2016 were closed as of October 26, 2018. The Division implemented a new standardized contract extension request form (as noted in the original audit report) that requires applicants to address the following: causes of delays; task completion details; projected milestones and their costs; and risk factors for project completion along with plans to mitigate those risks. We reviewed a sample of five extension applications (out of 38) that were processed since July 18, 2017 and found that all five used the new form with the required details.

Recommendation 3

Provide training to the counties to ensure they are aware of the requirements they must meet to obtain contract extensions.

Status - Implemented

Agency Action - Division officials conducted regional workshops throughout New York State from October 10 through October 25, 2018. All county and city officials, law enforcement agencies, emergency management offices, fire departments, and other interested State and local officials were invited to attend. The workshops included presentations by the Division's Grants Program Administration, Office of Emergency Management, Office of Counter Terrorism, Office of Interoperable and Emergency Communications, Office of Fire Prevention and Control, Office of Disaster Recovery Programs, and Policy Unit. In these workshops, presenters explained that any renewals, amendments, extensions, or revisions to a previously approved procurement contract will require an updated review and approval from the Division. Additionally, throughout the year when grantees prepare to apply for extensions, the Division's Grants Program representatives will inform them that they must use the new extension form and follow the new policies and procedures.

Major contributors to this report were Debra Spaulding, Michele Turmel, and David Brickman.

We thank the management and staff of the Division for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Nadine Morrell, CIA, CISM
Audit Manager

cc: Brian Jackson, Division of Homeland Security and Emergency Services