



**New York State
Office of Homeland Security**

THOMAS G. DONLON
DIRECTOR

September 24, 2009

Mr. Bud Larson
Associate Director
NYC Office of Management and Budget
75 Park Place
New York, NY 10007

RE: DEP Final Fiscal Monitoring Report

Dear Mr. Larson:

Enclosed is a copy of the final report which summarizes our conclusions of the fiscal monitoring visit conducted by the Office of Homeland Security (OHS) Fiscal Monitoring Unit. It is hoped that this report helps improve New York City's management of Homeland Security grant programs. You can find the response and conclusion at the end of each recommendation.

We would like to acknowledge your staff's assistance in completing this review and our appreciation for the cooperation and courtesy shown to the OHS staff. Please contact Hepburn Williams at (212) 849-4475 if you have any questions or require additional assistance.

Sincerely,

A handwritten signature in cursive script that reads "Terry Wilber".

Terry Wilber
Principal Auditor
Fiscal Monitoring Unit

Cc: Thomas Bonner, Grants Coordinator, NYC CJC
John Lento, Audit Coordinator, NYC DEP
Federal Fiscal Unit, OHS
Contract Unit, OHS

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**NEW YORK STATE
OFFICE OF HOMELAND SECURITY**

FINAL SITE VISIT REPORT

Date of Site Visit: May 19, 2009

Prepared By: Hepburn Williams

Grantee: New York City

Implementing Agencies: Department of Environmental Protection

Final Report Date: September 22, 2009

Contract	FCR #	Report Period	Award Period	Contract Amt.	Funding Source
C-881253	7	10/1/07 - 12/31/07	10/01/04 - 09/30/09	169,240,569	UASI
Same	8	01/08/08 - 03/31/08	Same	Same	Same
Same	9	04/01/08 - 06/30/08	Same	Same	Same

PURPOSE

The purpose of this review was to obtain a reasonable assurance that New York City (NYC) and its implementing agencies administered federal funds in accordance with applicable State and federal requirements, and the terms and conditions contained in the above referenced Contracts.

BACKGROUND

The City of New York received \$169,240,569 in funding (including \$3,190,000 LETPP Supplemental) through the Office for Domestic Preparedness, FFY 2005 Urban Area Security Initiative for the purpose of providing the necessary equipment and training needed to prepare for and respond to a terrorist attack. NYC in return allocated funding to several city agencies - including the Department of Environmental Protection (DEP). Funding was provided to DEP for protecting the health, welfare and natural resources of NYC and its citizens. Grant funds support training of response personnel within the watershed counties of New York State, and for DEP hazardous materials personnel within NYC. These funds also support the purchase of personnel protective equipment, communication equipment and security enhancements at the watershed facilities.

SUMMARY

We reviewed the accounting, financial, and reporting practices of New York City and DEP for:

- a) Compliance with the award Contracts budget and reporting requirements;
- b) Maintenance of accurate and reliable accounting records; and
- c) Compliance with allowable cost and expenditure documentation standards in accordance with applicable federal, State and NYS Office of Homeland Security (OHS) guidelines.

REVIEW PROCESS

Prior to the visit, the Fiscal Monitoring Unit sent NYC Internal Control and Fiscal Monitoring questionnaires for the Department of Environmental Protection (DEP) to complete. These questionnaires were completed by DEP and returned to the Fiscal Monitoring Unit on a timely basis. In addition to the questionnaires, transactions were selected from all categories reimbursed to DEP: Consultant, Equipment and Supplies.

During our review, we compared relevant areas of the questionnaires to the actual daily functions of various units within DEP. There was no significant variance between the responses to the questionnaires and the actual functions. The transactions selected were reviewed for proper supporting documentation and adherence to applicable State, federal and NYC guidelines.

Extensive documentation was requested from DEP for the selected transactions. For each category of expenditure, we asked about the procurement process, documentation to substantiate this process; proof of payment to ensure that DEP paid the vendors prior to seeking reimbursement; documentation to verify that items were received before vendor payments; updated lease agreement for the helicopter and verification of rates paid to the pilots. In regard to the equipment purchased, we requested additional documentation such as: documentation /information to demonstrate evidence that DEP conducted proper training, maintenance and safeguard of its equipment. We requested and received maintenance records, training schedules and the location for each piece of equipment reviewed.

We inspected only the equipment that was located in Brooklyn and the vicinity of Queens; the Aerial Lift Truck, the Gamma Monitors and the Toxic Analyzers. All the other equipment selected was located in Valhalla and Upstate New York. The Aerial Lift Truck was housed in a suitable garage in Brooklyn, and based on our physical inspection and review of the maintenance records, the Aerial Truck appeared to be in excellent condition and properly maintained. We verified the Vehicle Identification Number with that on the records. We also located and verified the serial numbers on the Gamma Monitors and Toxic Vapor Analyzers. After reviewing all the above records and conducting our inspections of the equipment, we arrived at the following observations and recommendations:

1. Gamma Monitors and Toxic Vapor Analyzers

The FY05 Homeland Security Grant Program Guidelines require that the specific goals and objectives funded by this grant program be completed within the Contract timeframe.

DEP purchased three (3) Gamma Monitors for detecting the presence of radiation, and two (2) Toxic Vapor Analyzers for detecting toxic materials. These monitors were received by DEP on April 23, 2008 and May 7, 2008 respectively. At the time of our inspection on May 21, 2009, over thirteen months after the monitors were received by DEP, they remained unutilized. Additionally, the Gamma Monitors were calibrated by the manufacturer prior to delivery and require yearly calibration. These monitors can only be calibrated by the manufacturer due to their radiation component. At the time of our visit, the monitors were non-functional and no arrangements had been made with the manufacture to have them re-calibrated. The Toxic Analyzers were purchased as back-up monitors, and are required to be calibrated before and after use. These monitors can be calibrated in-house by DEP. Similarly, these monitors had not been used or calibrated.

DEP has an existing maintenance and calibration software system that it uses for its equipment, but neither the Gamma Monitors nor the Toxic Analyzers were entered into this system. Additionally, no one was assigned to, or trained to use these monitors. DEP was not sure whether there would be a need to have the manufacturer conduct training for the Gamma Monitors, or have the training done by their own staff. However, they were confident that they have the in-house knowledge to conduct training on the Toxic Analyzers.

Recommendation:

OHS recommends that DEP establishes procedures that include timely testing, training and entry into the calibration/maintenance database for equipment purchased under the grant. Also, DEP expressed a desire to utilize these monitors at the US Open in August 2009 and the UN session in the Fall of 2009. Therefore, OHS also requests an update on the status of DEP's utilization of these monitors.

Response and Conclusion

DEP: As per OHS' recommendation, all DEP programmatic staff was trained on the use of the equipment. These equipment were subsequently deployed and utilized at the 2009 U.S. Open and the 9/11 ceremony this year. In addition, DEP will utilize them at the fall session of the United Nations. As you know, New York City has built out a web-based inventory tracking tool ("Grant Tracking System or GTS") to catalogue all equipment purchases with a unit cost greater than \$5,000. Staff is in the process of working with the vendor to create a module that will flag the maintenance periods for all the equipment entered (from the date the equipment was received, entered into GTS, or from the last maintenance check). In addition, all the equipment has been incorporated into DEP's own maintenance and calibration software system for maintenance and calibration based on the manufacturer's schedules. If necessary, equipment will be sent out to the manufacturers on an annual basis for a full system check-up and system calibration.

OHS: OHS agrees that this action addresses the intent of the recommendation and will monitor corrective action progress during future monitoring visit.

However, as a clarification in your response, federal guidelines require equipment property records to be maintained on equipment having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit.

2. Documentation of Grant Management Procedures

In accordance with paragraph 14 of Appendix A-1 of the Contract, grantees are required to maintain adequate internal controls. A key control activity is the appropriate documentation of transactions and internal controls. The documentation should appear in management directives, administrative policies, or operating manuals. Policies and procedures are critical to the daily operations of an organization. These documents set forth the fundamental framework and the underlying methods and processes all employees rely on to do their jobs. They provide specific direction to and help form the basis for decisions made every day by employees.

DEP maintains a very impressive grant processing flow chart system. However, there were no detailed written procedures to accompany the flow charts on how grants are administered. The absence of detailed written procedures at any level of the organization can create an inconsistency in business operations and training, and also a lack of continuity in the absence of essential staff members. Further, the efficiency and effectiveness of operations can be adversely affected. Subsequent to our monitoring visit, DEP sent OHS a brief outline of grant management procedures for its Revenue & Claims Unit. This is an excellent step in the right direction, a foundation upon which DEP should strive to build more comprehensive procedures.

Recommendation:

OHS recommends that DEP compose more detailed written procedures for the administration of grants (encompassing homeland security grants) to ensure business continuity in the absence of key knowledgeable staff.

Response and Conclusion

DEP: Detailed written procedures have been developed for grants administration in conjunction with DEP audit staff and are currently being utilized. These procedures can be accessed by all grants administration staff in the event that knowledgeable key staff is not present.

OHS: OHS agrees that this action addresses the intent of the recommendation and will monitor corrective action progress during future monitoring visit.