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April 2018

Edwin Day, County Executive
Members of the Legislature
Rockland County
11 New Hempstead Road
New City, NY 10956

Report Number: S9-17-12

Dear County Executive Day and Members of the Legislature:

A top priority of the Office of the State Comptroller is to help county officials manage their resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support county operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard assets.

In accordance with these goals, we conducted an audit of six counties throughout New York State (NYS). The objective of our audit was to determine whether counties received and expended all emergency surcharge revenue received from communication service suppliers and used these surcharges to improve their county's 911 systems and operations.

We included Rockland County (County) in this audit. Within the scope of this audit, we examined the County's process for enhanced emergency service communication (E911) revenue collection and the expenditure of such revenues for the period January 1, 2014 through June 30, 2016. This audit was conducted pursuant to Article V, Section 1 of the State Constitution, and the State Comptroller's authority as set forth in Article 3 of the NYS General Municipal Law.

This report of examination letter contains our findings specific to the County. We discussed the findings and recommendations with County officials and considered their comments, which are included in Appendix A, in preparing this report. County officials generally agreed with our recommendations and indicated they plan to initiate corrective action. At the completion of our audit of the six counties, we prepared a global report that summarizes the significant issues we identified at all six counties audited.

Summary of Findings

County officials could improve controls over E911 revenues. Generally, officials expended all E911 surcharges to improve communication networks and surcharges received from landline,

VoIP¹ and wireless communication suppliers were used for E911 center expenditures. We commend County officials for improving its E911 systems and operations, using funds from capital projects and surcharges.

Officials were unable to determine whether the County received all E911 surcharges from its communication suppliers. While officials asked about suppliers operating in neighboring counties no resource exists to identify all the communication suppliers operating within the County. In addition, County officials accepted in good faith that supplier remittances included all applicable revenue and withheld the appropriate amount of administrative fees. As a result, officials cannot be sure that the County received all the surcharges to which it was entitled and whether the administrative fees withheld and amounts suppliers remitted to the County were accurate or appropriate.

Background and Methodology

Rockland County has a population of 311,687² and is governed by a 17-member County Legislature (Legislature). The County’s adopted 2016 general fund budget totaled \$533.4 million. The Finance Department is responsible for collecting E911 revenues, while the Department of Emergency Services is in charge of the E911 program and expenditures. The E911 services budget for 2016 was approximately \$808,000, funded by surcharges, real property tax and grants.

To summon emergency aid, people commonly call 911, a nationally recognized number. An E911 service program reduces response delays with rerouting and automatic number and location identification through the use of technology. The County’s E911 service program has eight public safety answering points³ located in the Towns of Clarkstown, Haverstraw, Orangetown, Ramapo and Stony Point, the Villages of Spring Valley and Suffern and the Sheriff Department’s Communications Center. In 2016, approximately 268,000 emergency E911 calls were answered in the County (Figure 1).

Figure 1: Calls Answered in 2016	
Answering Point	Number of Calls
Town of Clarkstown	18,033
Town of Haverstraw	8,938
Town of Orangetown	9,487
Town of Ramapo	88,601
Village of Spring Valley	43,229
Town of Stony Point	1,846
Village of Suffern	3,193
Sherriff Department's Communication Center	94,849
Total	268,176

¹ Voice over Internet protocol

² 2010 US census

³ Sites designated and operated by a local government to receive emergency calls from customers of a telephone service supplier.

More than half of American homes, or 50.8 percent, rely solely on wireless telephone service.⁴ Furthermore, the majority of 911 calls are received from cell phones. Data from reporting states showed 70 percent of consumers use cell phones to call 911, compared to 25 percent of consumers using landline telephones. If counties want to ensure the general public has 911 access from multiple communication devices, they need to ensure that the 911 infrastructure can accommodate new technologies. If left unchanged, the current 911 systems face increasing challenges in providing service as society and technology continue to advance.

The evolution of 911 systems has had several phases including E911 Phase I, which enabled the call taker to see the wireless callback number and location of the cell tower closest to the caller. Phase II encompassed Phase I, but also allowed call takers to view the location of the caller by latitude and longitude with improved accuracy to within 125 meters (137 yards). Next generation 911 (NG911) is the latest phase, which allows callers to text, send pictures, videos and other data to the answering points.

The County's E911 system is fully upgraded to Phase II and NG911 text and picture capabilities are in place, but cannot yet support video messages. The County's system became text-to-911 ready in October 2015. However, depending on the wireless supplier providing service, the text-to-911 feature may be unavailable. If the supplier cannot handle the text-to-911 function, a text message will automatically be sent to the individual letting them know their text did not go through and to call 911 instead.

A major obstacle of a fully upgraded E911 program is the cost of the equipment and services to operate the system. NYS legislation allows counties to fund E911 services through surcharges generated from using wireless and landline devices for communication services. Most counties are authorized to impose a surcharge not exceeding 30 cents per device per month on wireless services provided to a customer whose place of primary use (customer billing address) is a local government.

Currently, 49 counties (including Rockland) impose the wireless surcharge, except for surcharges on prepaid wireless devices, which are currently not permitted. All surcharges are collected by the suppliers and remitted directly to the counties imposing the surcharge. Similarly, all NYS counties are authorized to impose a surcharge, up to 35 cents on landlines. For both surcharge types, communication service suppliers are allowed to keep 2 percent of the amount collected to cover administrative costs. Surcharges are currently not permitted for prepaid wireless devices.⁵

To achieve our objective, we conducted interviews with County officials and reviewed County laws, policies and procedures to gain an understanding of the County's E911 system. We also reviewed County records related to E911 operations.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). More information on the standards and the methodology used in performing this audit are included in Appendix B of this report. Unless otherwise indicated in this report,

⁴ National Health Interview Survey Early Release Program *Wireless Substitution: Early Release of Estimates from the National Health Interview Survey*, July – December 2016.

⁵ Budget bill (S2009-c/A3009-C, Part EEE) repeals, effective 12/1/2017, County Law 308-a through 308-y, the individual special acts authorizing county by county wireless surcharges. It also enacts a new Tax Law 186-g, which will authorize all counties to impose a wireless and prepaid wireless surcharge, to take effect on or after 12/1/2017.

samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or relevant population size and the sample selected for examination.

Audit Results

Accuracy of Surcharge Remittances – Rockland County is authorized by NYS County Law (County Law) to collect E911 surcharges for landline and wireless communication devices. The County imposes a 30 cent surcharge per device per month on wireless communication services provided to customers whose billing address (place of primary use) is in the County and a 30 cent surcharge on landlines.

County officials told us that in 1991 when the County received landline surcharge authorization, the one landline service supplier offering landline service in the County was notified of the requirement to remit surcharges. Wireless service suppliers known to do business in the County and neighboring counties were contacted in 2012 to inform them of this legal requirement. Officials also told us that there is no all-inclusive list available of all landline and wireless service suppliers providing service within the County.

They further explained that they reached out to the NYS Public Service Commission in an attempt to identify suppliers within the County and were told no such list or database is maintained. As a result, officials are unable to determine whether the County receives all the surcharges collected from landline and wireless service suppliers to which it was entitled.

The County collected more than 780 remittances⁶ with more than \$3.1 million in surcharges (landlines totaled about \$1.1 million and wireless devices about \$2 million) for the audit period, to be used for operating and improving E911 services and expended approximately \$2 million (Figure 2).

⁶ Remittances are tracked individually by the Finance Department. However, remittances mailed to the emergency services center are grouped into one system entry. As a result, the system total of 788 is a conservative count.

Figure 2: Collections and Expenditures				
Revenue Collected	2014	2015	January 1 – June 30, 2016	Totals
Landline	\$505,281	\$464,977	\$164,597	\$1,134,855
Wireless	\$780,313	\$819,426	\$367,224	\$1,966,963
Total Revenues	\$1,285,594	\$1,284,403	\$531,821	\$3,101,818
Expenditures				
Salaries & Benefits	\$262,772	\$258,976	\$115,725	\$637,473
Office Supplies and Travel	\$223	\$320	\$0	\$543
Rental of Leased Premises	\$132,656	\$0	\$0	\$132,656
Services from Other County Departments	\$90,000	\$103,000	\$0	\$193,000
Maintenance Agreements	\$123,115	\$119,881	\$87,037	\$330,033
E-911 Telephone System	\$243,356	\$272,454	\$118,260	\$634,070
Allocation of Telephone, Insurance and Services	(\$910)	\$33,286	\$20,400	\$52,776
Total Expenditures	\$851,212	\$787,917	\$341,422	\$1,980,551

County officials accepted in good faith that supplier remittances included all applicable revenue and withheld the appropriate amount of administrative fees. While both landline and wireless surcharge revenues were received, officials were unable to verify whether these amounts were accurate and complete. A complete list of all suppliers operating within the County would enable officials to ensure suppliers are sending surcharge payments on a monthly basis and prepare a trend analysis to identify any fluctuations in payment amounts that might be made in error or missed entirely.

Although, periodic remittance recalculations can be performed to verify that the suppliers are billing accurately and keeping the 2 percent administrative fee they are permitted to retain, County officials did not recalculate the administrative fees or the amounts billed and received. As a result, we reviewed 282 remittances⁷ totaling \$435,382 to determine whether the amounts received were accurate (Figure 3).

Figure 3: Collections						
	Total Collections	Collections Tested				
Year	Amounts	Landline	Wireless	Unknown ^a	Total Number	Total Amount
2014	\$1,285,594	71	29	11	111	\$191,203
2015	\$1,284,403	100	37	0	137	\$174,184
2016	\$531,821	18	16	0	34	\$69,995
Totals	\$3,101,818	189	82	11	282	\$435,382

^a Unknown designation is used when remittances did not specify the type of surcharge remitted because both rates were \$.30.

⁷ See Appendix B for information on our methodology.

We found that 101 remittances (approximately 36 percent) totaling \$92,109 did not specify the amount of administrative fees withheld. Therefore, County officials are unable to determine whether the fee retained is proper. We recalculated the administrative fees for the remaining 181 remittances totaling \$343,272 and found no discrepancies.

In addition, the documentation supplied on nine remittances totaling \$90,792 did not include the number of communication lines the suppliers were billing for to enable County officials to calculate the amounts that should have been billed or the amounts that should have been charged for administrative fees.

Separate Accounting – County Law requires that the surcharges (landline, VoIP or wireless) received by counties be accounted for separately and used to provide an enhanced 911 emergency telephone system including costs related to the design, installation, operation and system maintenance. Annually, the County is required to reserve any revenues that exceed expenditures. The County also enacted local laws for landline, VoIP and wireless communication surcharges that require keeping adequate books and records of amounts and sources of all surcharge revenues and the expenditures made from these funds.

The E911 center needed approximately \$2 million (annual average of about \$800,000) to fund operations during our audit period (Figure 2). The County records separately tracked revenues by surcharge type (landline, VoIP or wireless) and disbursements as an E911 center expenditure. We reviewed 50 expenditures⁸ (25 personnel and 25 non-personnel) totaling \$81,049 to determine whether they were appropriate expenditures (Figure 4).

Figure 4: Expenditure Testing Summary			
911 Center Expenditures		Testing Results	
Description	January 1, 2014 - June 30, 2016^a	Number of Expenditures Tested	Amount of Expenditure Tested
Salaries and Benefits	\$637,474	25	\$24,335
Office Supplies/ Travel	\$543	1	\$85
Rental of Leased Properties	\$132,656	1	\$1,061
Maintenance Agreements	\$330,032	3	\$12,712
E-911 Telephone System	\$634,070	10	\$37,671
Allocation (Telephone, Insurance, Services)	\$52,776	10	\$5,185
Totals	\$1,787,551	50	\$81,049

^a Includes expenditures only for the categories selected as part of the audit sample. See Appendix B for more information our sampling methodology.

Except for one minor discrepancy, which we discussed with County officials, the expenditures we tested were for appropriate E911 goods and services (e.g., paper, cell tower rental, allocation of County telephone costs, insurance, postage, office cleaning, landscaping, CPR training, equipment installation, software and hardware support and salaries and benefits).

⁸ See Appendix B for methodology details.

County officials told us that historically the funding streams from the E911 surcharges for landline, VoIP and wireless devices were insufficient to fully fund the NG911 upgrades. Officials also told us that they had to undertake two capital projects, with costs totaling more than \$4.5 million, to pay for upgrades to the E911 system, including NG911 upgrades.

In 2014, surcharges were used by the County to offset a negative E911 fund balance that had accumulated over the past 11 years, leaving a reserve balance of \$50,275. At the end of 2015, this reserve balance totaled more than \$740,000. County officials told us that the reserve will be used for future capital projects.

Annual Reporting – County Law and the County’s local law require all wireless suppliers to annually submit an accounting report of surcharge amounts billed and collected. County Law also requires all landline suppliers to annually submit an accounting report of surcharge amounts billed and collected. Although suppliers were notified of this requirement, officials told us that they have never received any landline or wireless annual accounting reports from its 70 (13 wireless and 57 landline) suppliers in 2014 and 95 (28 wireless and 67 landline) suppliers in 2015.

Annual accounting reports would help the County ensure that the supplier accurately remitted the correct amount of revenue for the year. County officials could compare these amounts to payment tracking sheets or to deposits to confirm all surcharge revenues have been deposited. Further, the County has not contacted the suppliers to request these reports be submitted.

If the County is not receiving all surcharges collected by suppliers, the County may not be able to finance its E911 service as intended or upgrade to the latest available technology, such as NG911, due to insufficient funds.

Recommendations

County officials should:

1. Contact the wireless communication, major landline and VoIP suppliers to request all annual reports accounting for surcharges billed and collected.
2. Recalculate the administrative fee on all bills and the amounts billed and collected.
3. Track all suppliers remitting surcharges and the monthly amount submitted, to ensure all surcharges are remitted and allow for trend analysis and audit reconciliation.
4. Perform trend analysis from the monthly payments and the annual accounting reports.

The Legislature has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and forwarded to our office within 90 days, pursuant to Section 35 of General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Legislature to make this plan available for public review in the Clerk’s office.

We thank the officials and staff of the County for the courtesies and cooperation extended to our auditors during this audit.

Sincerely,

Gabriel F. Deyo
Deputy Comptroller

APPENDIX A

RESPONSE FROM COUNTY OFFICIALS

The County officials' response to this audit can be found on the following pages.

OFFICE OF FIRE AND EMERGENCY SERVICES

Fire Training Center, 35 Firemen's Memorial Drive
Pomona, New York 10970
Phone: (845) 364-8908 Fax: (845) 364-8997

Gordon Wren, Jr.
Director

Pablo A. Ramos
E9-1-1 Coordinator

November 30, 2017

Comptroller Thomas P. DiNapoli
State of New York
Office of the State Comptroller
110 State Street
Albany, New York 12236

Dear Comptroller DiNapoli:

The following is Rockland's response to the recently conducted 9-1-1 Surcharge program/account audit.

For each recommendation included in the audit report, the following corrective action(s) have been taken or proposed. For recommendations where corrective action has not been taken or proposed, we have included the reasoning/justification for not taking any action.

Audit Recommendation - Accuracy of Surcharge Remittances:

A complete list of all suppliers operating within the county would enable officials to ensure suppliers are sending surcharge payments monthly and prepare a trend analysis to identify any fluctuations in payment amounts that might be made in error or missed entirely. Track all suppliers remitting surcharges and the monthly amount submitted, to ensure all surcharges are remitted and allow for trend analysis and audit reconciliation.

Implementation Plan of Action(s):

-Wireless Communications Service Providers: On 16 August 2017, the County of Rockland enacted Local Law No. 3 of 2017. The local law imposes a wireless communications surcharge of thirty cents (\$0.30) per month on each wireless prepaid and postpaid wireless communications device in service within the territorial limits of the county of Rockland.

Rockland County will not take any corrective action regarding wireless service suppliers. The wireless surcharges imposed by this local law shall be administered and collected by the New York State Commissioner of Taxation and Finance. Therefore, the notification of surcharge requirements, and request for annual reports to all wireless communications service providers shall be accomplished by the New York State Commissioner of Taxation and Finance

- Major Landline and VoIP Service Providers: On 23 October 1991, the County of Rockland notified the local landline telephone service provider (New York Telephone Company) currently known as Verizon Communications, that Rockland County had enacted Local Law No. 10 of 1991. The local law imposed twenty-five cents (\$0.25) surcharge on all telephone access lines in service within the boundaries the county. In May of 1994, Rockland County amended said local law, with Local Law No. 5 of 1994. Thereby increasing the 9-1-1 surcharge to thirty cents (\$0.30) per month. This amendment was also provided to Verizon Communications so that they could adjust their collection fee.

Whenever new landline providers begin providing telephone service within the territorial limits of the county of Rockland, a notification is made to the provider. The notification consists of copies of both local laws and instructions on where to remit the payments.

Additionally, on a regular basis the county provides copies of the local laws to tax research firms and telecommunications billing support services companies. This information is maintained in an Excel spreadsheet that permits the county to track all suppliers remitting surcharges fees to the county.

Implementation Date:

On-going. The county now conducts monthly web searches for any new telephone service providers offering landline service within the boundaries of Rockland County.

Person Responsible for Implementation:

Rockland County 9-1-1 Communications Coordinator

Audit Recommendation – Separate Accounting:

County Law requires that the surcharges (landline, VoIP or wireless) received by counties be accounted for separately.

Implementation Plan of Action(s):

The county has been keeping separate landline revenue and wireless revenue accounts. This protocol will continue even when the New York State Commissioner of Taxation and Finance assumes responsibility for the collection of all prepaid and postpaid wireless communications devise surcharge fees.

Implementation Date:

Originally implemented upon the enactment of the landline and wireless local laws.

Person Responsible for Implementation:

Budget & Finance Department

Audit Recommendation - Annual Reporting:

Annual accounting reports would help the county ensure that the supplier accurately remitted the correct amount of revenue for the year. Contact the wireless communication, major landline and VoIP suppliers to request all annual reports accounting for surcharges billed and collected.

Implementation Plan of Action(s):

Following the audit conducted by the New York State Comptroller's Office, the county requested Verizon Communications provide the county an annual report of remittances, including all surcharge fees collected, number of customers making payment, and the total of administrative fees retained by service provider. Annual reports from the service providers will permit the county to recalculate the administrative fee on all bills and to verify the amounts of fees billed and collected by the service providers.

Implementation Date:

Request for an Annual Report will be made to all landline service providers. The report will be used to verify the accuracy of the monthly payments and to perform future revenue trend analysis of projected surcharge revenue.

Person Responsible for Implementation:

9-1-1 Communications Coordinator

Sincerely,

Pablo A. Ramos
Rockland County Enhanced 9-1-1 Coordinator

Cc: Regional Office Director, Ms. Ann Singer
[REDACTED]
Commissioner of Finance, Stephen DeGroat

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We interviewed County officials and reviewed the Legislature's minutes, resolutions and policies to gain an understanding of the process and procedures over the County's E911 revenues and expenditures.
- We performed a walkthrough of the emergency communications center to observe and document the E911 capabilities.
- We reviewed all remittances from December 2014, December 2015 and June 2016 to determine whether suppliers properly retained the 2 percent administration fee.
- We judgmentally selected and reviewed a sampled of 25 non-personnel expenditures and 25 personnel expenditures to determine whether the purchases were appropriate.

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.