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April 2018

Steven Bellone, County Executive
John M. Kennedy, Jr., County Comptroller
Members of the Legislature
Suffolk County
H. Lee Dennison Bldg.
100 Veterans Memorial Highway
Hauppauge, New York 11788

Report Number: S9-17-11

Dear County Executive Bellone, County Comptroller Kennedy 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 Suffolk County (County) in this audit. Within the scope of this audit, we examined the County's process for 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 appear 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 enhanced emergency service communication (E911) revenues. 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 real property taxes, grants 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 their County from State and federal agencies, 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

Suffolk County has a population of 1,493,350² and is governed by a County Executive and an 18-member County Legislature (Legislature). The County's adopted 2016 general fund budget totaled \$2.1 billion. The Police Department is responsible for the E911 program, E911 revenue collection³ and E911 expenditures. The E911 services budget for 2016 was approximately \$17.3 million, funded by surcharges, real property taxes 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 12 public safety answering points.⁴ In 2016, approximately 890,000 emergency E911 calls were answered in the County (Figure 1).

¹ Voice over Internet protocol

² 2010 US census

³ The County's Department of Audit and Control is responsible for collecting annual reports from the communication suppliers indicating the amount of surcharges and administrative fees billed and collected each year.

⁴ Sites designated and operated by a local government to receive emergency calls from customers of a telephone service supplier.

Figure 1: Calls Answered in 2016	
Answering Point	Number of Calls
Village of Amityville Police Department	1,256
Babylon Central Fire Alarm and Rescue Alarm Corporation	28,992
Town of East Hampton Police Department	839
Village of East Hampton Police Department	2,591
Village of Northport Police Department	2,188
Town of Riverhead Police Department	15,912
Smithtown Fire District	1,201
Town of Southampton Police Department	8,361
Village of Southampton Police Department	795
Town of Southold Police Department	7,160
Suffolk County's Department of Fire Rescue and Emergency Services	98,419
Suffolk County Police Department	719,610
Total	887,324

More than half of American homes, or 50.8 percent, rely solely on wireless telephone service.⁵ 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 equipment is in place to support NG911 functions. However, County officials told us that they need to complete training before these capabilities can be used. Officials expected to have the text-to-911 function available in March 2017, but as of August 2017, the Legislature had yet to approve a vendor to help support the text-to-911 feature. As a result, the new projected text-to-911 beginning date is May 2018.

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.

⁵ National Health Interview Survey Early Release Program *Wireless Substitution: Early Release of Estimates from the National Health Interview Survey*, July – December 2016.

Currently, 49 counties (including Suffolk) 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.⁶

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, 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 – Suffolk 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 35 cent surcharge on landlines.

County officials told us that in 2009 the four largest wireless suppliers were notified of the requirement to remit surcharges. In 2012, officials contacted 11 wireless, two landline and one VOIP suppliers requesting the 2011 annual accounting reports. However, the remaining wireless and landline suppliers have not been contacted. Officials also told us there is no all-inclusive list available of all landline and wireless service suppliers providing service within the County.

Officials further told us that they reached out to the NYS Public Service Commission and Federal Communications Commission in an attempt to identify suppliers within the County, but were not provided with any such list. 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 approximately 2,800 remittances, with more than \$17.5 million in surcharges (landlines totaled about \$2.4 million, wireless devices about \$10.1 million and VoIP about \$5.1 million) for the audit period, to be used for operating and improving E911 services and expended approximately \$42.8 million (Figure 2).

⁶ 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.

Figure 2: Collections and Expenditures				
Revenues Collected	2014	2015	January 1 - June 30, 2016	Totals
Landline	\$936,834	\$934,439	\$507,338	\$2,378,611
Wireless	\$3,536,699	\$4,105,767	\$2,423,998	\$10,066,464
VoIP	\$1,606,580	\$2,195,621	\$1,268,382	\$5,070,583
Total Revenues	\$6,080,113	\$7,235,827	\$4,199,718	\$17,515,658
Expenditures				
Salaries and Benefits	\$12,463,210	\$12,732,927	\$6,281,979	\$31,478,116
Furniture and Furnishings	\$7,720	\$9,959	\$0	\$17,679
Office Machines	\$0	\$4,461	\$0	\$4,461
Office Supplies	\$880	\$633	\$0	\$1,513
Membership and Subscriptions	\$40	\$92	\$0	\$132
Radio & Communication Supplies	\$6,175	\$8,085	\$0	\$14,260
Computer Software	\$0	\$0	\$204,243	\$204,243
Other: Unclassified	\$1,729	\$1,769	\$48	\$3,546
Rent: Business Machines & Sys	\$989	\$990	\$247	\$2,226
Repairs: Office Equipment	\$400	\$0	\$0	\$400
Repairs: Special Equipment	\$1,320	\$1,001	\$0	\$2,321
Telephone & Telegraph	\$3,252,151	\$3,038,531	\$1,230,218	\$7,520,900
Cellular Communications	\$0	\$0	\$2,920	\$2,920
Computer Services	\$49,048	\$75,933	\$0	\$124,981
Fee For Services: Non Employ	\$1,456,629	\$1,659,098	\$350,898	\$3,466,625
Total Expenditures	\$17,240,291	\$17,533,479	\$8,070,553	\$42,844,323

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 County officials maintained a spreadsheet that tracked suppliers remittances with the intent of assuring payments were received monthly from all suppliers, it was incomplete for several months of our audit period. Officials used the spreadsheet as a payment log, but did not use it to verify whether all payments were received or to perform trend analysis on payment amounts.

Although periodic remittance recalculations can be performed to verify that the suppliers are billing accurately and keeping the 2 percent administrative fee they were permitted to retain, County officials did not recalculate the administrative fees or the amounts billed and received. As

a result, we reviewed 161 remittances⁷ totaling \$973,502 to determine whether the amounts received were accurate (Figure 3).

Figure 3: Collections								
			Collections Tested					
Year	Amounts		Landline	Wireless	VoIP	Unknown ^a	Total Number	Total Amount
2014	\$6,080,113		25	15	2	21	63	\$372,268
2015	\$7,235,827		58	20	19	1	98	\$601,234
2016	\$4,199,718		0	0	0	0	0	\$0
Totals	\$17,515,658		83	35	21	22	161	\$973,502

^a Unknown designation is used when remittances did not specify the type of surcharge remitted.

We found that 34 remittances (approximately 21 percent) totaling \$176,787 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 127 remittances totaling \$796,715 and found no discrepancies.

In addition, the documentation supplied on four remittances totaling \$174,779 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. Although the County has the authority to audit the communication suppliers to determine whether the amounts remitted are correct, officials told us that the cost to do so would outweigh the benefit.

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 \$42.8 million (annual average of about \$17.1 million) 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 a E911 center expenditure. We reviewed 50 expenditures⁸ (25 personnel and 25 non-personnel) totaling \$324,507 to determine whether they were appropriate expenditures (Figure 4).

⁷ See Appendix B for information on our methodology.

⁸ Ibid.

Figure 4: Expenditure Testing Summary			
911 Center Expenditures		Testing Results	
Description	January 1, 2014 - June 30, 2016 ^a	Number of Expenditures Tested	Amount of Expenditures Tested
Salaries and Benefits	\$31,478,117	25	\$2,388
Office Supplies	\$1,512	2	\$291
Membership and Subscriptions	\$132	1	\$92
Radio and Communication Supplies	\$14,260	2	\$3,106
Rent: Business Machines and Systems	\$2,226	2	\$165
Repairs: Special Equipment	\$2,321	1	\$527
Telephone	\$7,520,900	15	\$288,061
Cellular Communications	\$2,920	1	\$539
Computer Services	\$124,981	1	\$29,338
Total Expenditures	\$39,147,369	50	\$324,507

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

All of the expenditures we tested were for appropriate E911 goods and services (e.g., salaries and benefits, telephone, computer services and office supplies). The County's local law requires that quarterly payments of surcharge revenue be made to the non-County answering points. Expenditures for these payments were included in the County records as an E911 center cost. The County used E911 center revenue for quarterly payments to the 10 non-County answering points, totaling \$3.5 million for the audit period. We reviewed 17 disbursements totaling \$651,087 that County officials made to two non-County answering points⁹ (Town of East Hampton and Village of Southampton) to determine whether these answering points received the appropriate share of surcharges. We found that the appropriate share of the surcharge revenue was received.

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 in addition to surcharges, real property taxes and grants were used to pay for upgrades to the E911 system, including NG911 upgrades. As a result, there was no reserve of excess surcharge revenues, as expenditures exceeded revenues. For example, the surcharge revenue in 2015 totaled approximately \$7.2 million, while the 911 center expenditures totaled about \$17.5 million.

Annual Reporting – County law and the County's local law both require all landline and wireless suppliers to annually submit an accounting report of surcharge amounts billed and collected. Although some suppliers were notified of this requirement, officials told us that they do not receive landline or annual accounting reports for all suppliers. In 2014, 74 of 96 suppliers did not provide its annual accounting report. In 2015, 124 of 135 suppliers did not provide its annual accounting report.

Annual accounting reports would help the County ensure that the supplier accurately remitted the correct amount of revenue for the year. The County could compare these amounts to payment

⁹ Ibid.

tracking sheets or to deposits to confirm all surcharge revenues have been deposited. Subsequent to our audit fieldwork, the County contacted the suppliers to request the reports be submitted.

The County's local law establishes penalties for suppliers that do not submit annual accounting reports at a rate of \$250 for each day past due, up to \$5,000 annually. However, County officials did not assess penalties to suppliers who did not comply with the local law. A total of 198 suppliers did not submit an annual accounting report in 2014 and 2015. If County officials had assessed these penalties, they would have generated \$990,000 in additional revenue that could have been used to fund E911 upgrades.

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

The Department of Audit and Control should:

1. Contact the wireless communication, major landline and VoIP suppliers to request all annual reports accounting for surcharges billed and collected and recommend assessing penalties on those suppliers not providing annual accounting reports.

The Police Department should:

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.

COUNTY OF SUFFOLK



OFFICE OF THE COUNTY EXECUTIVE

Steven Bellone
SUFFOLK COUNTY EXECUTIVE

December 11, 2017

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

Unit Name: Suffolk County
Audit Report Title:
Audit Report Number: S9-17-11

Dear Comptroller DiNapoli:

Attached please find our combined responses to Audit Report S9-17-11.

1. *Contact the wireless communication, major landline and VoIP suppliers to request all annual reports accounting for surcharges billed and collected and recommend assessing penalties on those suppliers not providing annual accounting reports.*

Response:

Pursuant to the Office of Audit and Control, in August 2016 letters were sent to all service suppliers that remitted revenue to the County but did not submit the required annual accounting reports for 2014 and 2015. Each supplier was informed that their failure to comply with the requirement resulted in a civil penalty of \$5,000 per year and payment of \$10,000 should be made to the Suffolk County Comptroller. With the exception of thirteen suppliers, the required annual accounting reports were received.

Three of the thirteen suppliers ceased operating in Suffolk County in 2016. Seven of the remaining ten suppliers remitted less than \$200 in surcharge revenue; therefore, it may not be cost effective to complete the process of officially imposing a penalty that is not likely to be collected.

Implementation:

This has already been implemented

2. *Recalculate the administrative fee on all bills and the amounts billed and collected*

Response:

Audit and Control performs this function on an annual basis; the Suffolk County Police Department does not have this information available as they are simply receiving the remitted amount.

Implementation:

This has already been implemented

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.*

Response:

Currently all remittances are being tracked by month and vendor. Data is kept in excel spreadsheets and can be provided for trend analysis and audit reconciliation. Currently the suppliers are contacted if there is a gap in remittances.

Implementation:

Updates will be implemented by the Suffolk County Police Department on January 1st, 2018

4. *Perform trend analysis from the monthly payments and the annual accounting reports.*

Response:

A formal trend analysis is not currently being performed. Charts can be created using the data currently being stored, and updated on a more timely basis.

Implementation:

These changes will be implemented by the Suffolk County Police Department on January 1st, 2018

Sincerely,

DENNIS M. COHEN
Chief Deputy Suffolk County Executive

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 staff, 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 182 remittances from October 2014 and January 2015 to determine whether suppliers properly retained the 2 percent administration fee.
- We judgmentally selected and reviewed a sample of 25 non-personnel expenditures and 25 personnel expenditures to determine whether the purchases were appropriate.
- We judgmentally selected and reviewed 17 surcharge payments the County made to two judgmentally selected non-County answering points to determine whether the surcharge revenue disbursed was the appropriate share according to the County's local law.

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.