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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

February 12, 2026

Terence O’Leary
Acting Commissioner
NYS Division of Homeland Security and Emergency Services
William A. Harriman State Campus, Building 7A
Albany, NY 12226

Re: Examination of Contract C000831 with
Tidal Basin Government Consulting, LLC

Dear Acting Commissioner O’Leary:

The Office of the State Comptroller is responsible for carrying out the Comptroller’s constitutional and statutory authority to audit New York State payments. These audits are performed pursuant to the State Comptroller’s authority under Article V, Section 1 of the State Constitution and Article II, Section 8(1) and (7), and Article VII, Section 111 of the State Finance Law. Our Office examined payments the Division of Homeland Security and Emergency Services (Division) paid to Tidal Basin Government Consulting, LLC (Tidal Basin) pursuant to contract C000831.

The following report summarizes the results of our examination. Prior to issuing this final report, we shared a draft report with Division officials. The Division responded to the draft report and we considered their response in preparing this final report.

The results and recommendations outlined in this report represent a small percentage of payments made by the Division. Given the critically important role that the Division has in responding to disasters and emergencies, the Division should consider the recommendations detailed in this report for all payments made by the Division. If you have any questions about this report, please feel free to contact us.

We would appreciate your response to this final report by March 12, 2026 indicating any actions planned to address the recommendations in this report.

Sincerely,

Katie M. Mahoney

Katie Mahoney
Assistant Director of State Expenditures

Encl: Executive Summary
Audit Findings
Attachment A
Attachment B
Attachment C

cc: Brian Jackson

Executive Summary

I. Background:

The Division of Homeland Security and Emergency Services (Division) entered into contract C000831 with Tidal Basin Government Consulting, LLC (Tidal Basin) totaling $91.7 million to provide disaster recovery consultants for the period July 31, 2019 through July 30, 2025. From July 1, 2022 through June 30, 2023 the Division made $24.1 million in payments to Tidal Basin, which included $22.5 million for professional service expenses and $1.6 million for related travel expenses. We examined a portion of these payments.

Subsequent to the expiration of this contract, the Division entered into a new contract (C700001) with Tidal Basin totaling $122 million for disaster recovery services for the period July 31, 2025 through July 30, 2030.

II. Findings:

Staffing and Travel Plans: The Division's contract with Tidal Basin requires Tidal Basin to submit staffing and travel plans for the deployment of resources for each emergency for which they are providing services. Despite this requirement, the Division's invoice reviewers did not have sufficient, appropriate evidence (i.e., staffing and travel plans) when reviewing invoices to ensure the charges on Tidal Basin invoices met the contract requirements. As a result, the Division certified to the Comptroller's Office that $24.1 million paid during the examination period was appropriate without reviewing the approved staffing and travel plans to support that the expenses were authorized by the Division. In addition to assessing the Division's controls over the invoice review and approval process, we went on to select a sample of 172 plans associated with $12.4 million in expenses to determine if the expenses were authorized by the staffing and travel plans. We found 161 plans associated with expenses totaling $11.9 million were either not provided by the Division in response to our auditors' requests or were provided but did not contain all the information required by the contract. As a result, we have no assurance that these payments were authorized and, therefore, appropriate.

Questionable and Inappropriate Travel Status: The Division certified the travel expenses paid during the examination period were justified without designating the Tidal Basin consultants' (consultant) official stations or maintaining and reviewing the consultants' home addresses to determine whether they were in travel status and therefore due travel reimbursement. In the case of one consultant, the Division had evidence suggesting the consultant incurred travel expenses at a work assignment within 35 miles of their home, making these costs ineligible for travel expense reimbursement. As a result, we question the appropriateness of, or found inappropriate, the entire $1.6 million that the Division paid Tidal Basin for consultants' travel expenses during our examination period.

Non-Compliant Travel Expenses: In a sample of travel expenses examined totaling $328,935 for six consultants, auditors found that the Division paid Tidal Basin $11,968 for travel expenses that did not comply with requirements in the OSC Travel Manual, as required by the contract.

Unreconciled Vouchers: The Division approved 28 vouchers totaling $8.3 million without documenting which charges were just, true, correct, and appropriate to pay. As a result, it was unclear which expenses from the associated 106 invoices totaling nearly $17.7 million were paid on these 28 vouchers, and after discussions with the Division, the Division was unable to reconcile expense lines totaling $170,427.

Further, in some instances we faced significant delays, upwards of seven months, in obtaining the necessary documentation from the Division to conduct the fieldwork portions of the Staffing and Travel Plans and Unreconciled Vouchers sections of our audit. In addition, at one point we paused interviews, leading to further delays, after actions taken by a Division representative during an interview required executive involvement from both OSC and the Division to resolve.

III. <u>Recommendations:</u>

We recommend the Division review and update policies, procedures and other controls over the payment process; establish additional controls as needed; provide appropriate training to staff; obtain and require records to support the appropriateness of payments made to Tidal Basin; and recover improper payments identified by our audit.

While this examination focused on expenditures pursuant to the Division's contract with Tidal Basin, it is important to note that the payments in the audit scope represent a small percentage of payments made by the Division. During this audit scope in particular, the Division certified to the Comptroller's Office that claims for payment totaling nearly $5 billion were just, true and correct, and therefore appropriate to pay. Given the significant dollar value the Division is responsible for overseeing, it should consider the recommendations outlined within this report for all payments it makes. In addition, the Division should require, obtain and review sufficient documentation to support all payments that are being certified as just, due and owing.

We provided the Division with preliminary audit findings for each of the findings above, and the Division provided its response. We also shared a draft report with Division officials, and the Division provided its response (Attachment A), which included their response to the preliminary audit findings (Attachment B). We considered the Division's responses to the preliminary audit findings and the draft report when preparing this final report. The Office of the State Comptroller's comments on the Division's response are included in Attachment C. In its response to the draft audit report, the Division agreed with our recommendations that focused on strengthening its internal controls. However, the Division expressed concerns with the audit. These concerns are addressed in the Office of the State Comptroller's Comments section (Attachment C).

Audit Findings

I. Background:

The Bureau of State Expenditures (Bureau) within the Office of the State Comptroller (OSC) has the responsibility to audit New York State payments pursuant to Article V, Section 1 of the State Constitution, as well as Article II, Section 8(1) and (7), and Article VII, Section 111 of the State Finance Law (SFL).

Meeting this constitutional and statutory responsibility requires the Bureau to audit on average more than 116,000 payments every business day. To illustrate the volume of payments, in 2023, the Bureau approved nearly 29 million payments and refunds worth more than $186 billion and rejected more than 39,300 payments and refunds valued at nearly $224.6 million primarily due to errors, improprieties or lack of documentation. Of this amount, the Division of Homeland Security and Emergency Services (Division) accounted for nearly 17,000 payments totaling more than $5.4 billion of payments approved, and 31 payments totaling nearly $3.6 million rejected.

As part of the daily auditing process, Bureau auditors are examining supporting documentation; agency internal controls over the payment process to ensure vouchers are just, true and correct before certifying in the Statewide Financial System (SFS); compliance with the NYS Guide to Financial Operations (GFO); as well as other factors that are designed to prevent improper payments, fraud, waste and abuse. This daily audit process provides a lens into potential problems that warrant additional scrutiny. To this end, in addition to the daily review and audit of more than 116,000 payments, this process can and does result in the Bureau identifying factors that require them to undertake a more comprehensive audit. This is the case regarding the contractual payments made by the Division to Tidal Basin Government Consulting, LLC (Tidal Basin).

II. Statement of the Comptroller's Authority to Conduct Audits:

The Bureau is responsible for carrying out the Comptroller's constitutional and statutory authority to audit NYS payments. As indicated above, this authority is set forth in Article V, Section 1 of the State Constitution, as well as Article II, Section 8(1) and (7), and Article VII, Section 111 of the SFL. The Bureau carries out this audit responsibility by examining vouchers that NYS agencies certify to OSC in the SFS, either on a pre- or post-payment basis. The Bureau plans and performs its audits by obtaining sufficient, appropriate evidence to determine whether payments are free from fraud, waste and abuse and comply with applicable laws, regulations and contracts. The pre-payment audit typically focuses on a single voucher at a time, while the post-payment audit approach typically consists of examining a series of vouchers pursuant to a particular contract, contractor, or grant program. Since the payments have already been made, in addition to recovering inappropriate payments we generally provide recommendations to the agency to prevent future inappropriate payments in the same payment stream.

III. Description of the Audit:

According to the Division's website, the Division's mission is to provide leadership, coordination and support to prevent, protect against, prepare for, respond to, recover from, and mitigate disasters and other emergencies. To help carry out this mission, the Division entered into contract C000831 with Tidal Basin to provide disaster recovery services to supplement the Division's staff for Disaster Recovery Programs for Public Assistance, Hazard Mitigation, Individual Assistance, and Disaster Finance.

Under the terms of the contract, the Division pays Tidal Basin for professional services under five different consultant job titles billed at not-to-exceed hourly rates. The Division also pays Tidal Basin for allowable expenses incurred as part of the consultants' pre-approved travel. The contract totals $91.7 million for the period July 31, 2019 through July 30, 2025.

Subsequent to the expiration of this contract, the Division entered into a new contract (C700001) with Tidal Basin totaling $122 million for disaster recovery services for the period July 31, 2025 through July 30, 2030.

IV. Audit Scope:

The objective of our examination was to determine if payments made to Tidal Basin were appropriate pursuant to the terms of the contract. During the examination period of July 1, 2022 through June 30, 2023, the Division paid Tidal Basin $24.1 million. This included $22.5 million for professional services and $1.6 million for travel expenses.

To accomplish our objective, we reviewed and analyzed the contract; SFL; New York Codes, Rules and Regulations (NYCRR); the GFO; the Division's Standard Operating Procedure titled, "Internal DHSES Procedure for Reviewing Vendor/Contractor Invoices" (SOP); the OSC Travel Manual; the Standards for Internal Control in New York State Government; and vouchers, associated invoices and supporting documentation. In addition, we interviewed the Division officials whose responsibilities include identifying the need for and approving the staffing plans for Tidal Basin consultants (consultants), overseeing the work of the consultants, pre-approving consultant travel, verifying the appropriateness of the staffing and travel expenses on the invoices and approving the vouchers for payment.

This audit is largely based on requirements outlined in Statewide laws, rules, regulations and guidance. Specifically, SFL Section 109 states the Comptroller may not make payment on a voucher until the agency certifies that it is "just, true and correct" and "the balance therein stated is actually due and owing.” Accordingly, when an agency certifies a claim for payment in the SFS, they must certify to the Comptroller that (i) the payment is approved by the agency, (ii) information entered is just, true and correct, and (iii) goods or services rendered or furnished are for use in the performance of the official functions and duties of the agency. The Division should refer to SFL Section 109; 2 NYCRR Section 6.3 and the GFO, Chapter XII.4.B for more information and guidance on these requirements. In addition, all documentation in support of the payment must be retained by the agency and must be available to OSC upon request for the period of the agency’s applicable record retention schedules, as approved by the State Archives and Records Administration. The Division should refer to 2 NYCRR Section 6.7 and the GFO, Chapter XII.3 for more information and guidance on these requirements.

The Comptroller’s publication, Standards for Internal Control in New York State Government, identifies five fundamental components of internal control for State agencies to develop and maintain in their system of internal controls: control environment, information and communication, risk assessment, control activities, and monitoring. The GFO, Chapter XII, further expands on this by providing guidance and best practices for agency representatives with various roles related to the accounts payable process. In addition, the GFO, Chapter XI.11.F, outlines effective contract monitoring steps for agencies, including ensuring agency invoice reviewers gain an understanding of the contract terms and appendices in order to form the basis for effective monitoring of the contractor.

A portion of this contract allows for reimbursement of certain consultant travel expenses when certain requirements are met. For example, pursuant to Sections 2.5 and 5.3 of Appendix B (Request for Proposal 2181) to contract C000831, reimbursement for allowable travel costs incurred by consultants is subject to the same limitations that apply to New York State employees. Accordingly, consultants are subject to the same travel rules and regulations that apply to State employees, including those outlined in the OSC Travel Manual, including designation by the Division of the consultants’ official stations.

Relevant limitations on reimbursement for travel expenses are contained in 2 NYCRR Part 8 and the OSC Travel Manual. Consultants are in travel status, and thus eligible for reimbursement of travel expenses, when they are on a work assignment at a work location 35 miles or more from both their official station and their home. The head of the agency is responsible for designating the official station of each consultant in the best interest of the State, and not for the convenience of the consultant. The official station should be the consultant’s usual work location. The consultant’s home is considered the city or town in which the consultant primarily resides when working at their official station. Travel between the consultant’s home and official station is considered commuting and is generally not reimbursable. Further, meals, lodging and other allowable costs incurred as part of pre-approved travel shall be reimbursed in accordance with the not-to-exceed rates authorized by OSC and summarized in the OSC Travel Manual.

It is the policy of OSC to ensure that audits are conducted in a manner that allows those interviewed to answer questions and provide requested information objectively and candidly. Based on this policy, it is not prudent to have other agency representatives present besides those being interviewed. However, our interviews were conducted in the presence of the Division's Internal Audit Director despite our request to interview staff without others present. Further, at one point, the Division representative recorded a virtual interview, and allowed another Division representative to be present, without our auditors' knowledge. This may have impacted the sufficiency and appropriateness of evidence obtained from these interviews.

V. Findings:

Staffing and Travel Plans

The contract sets forth the process for identifying and approving the staffing plans, travel plans and other resources that are deemed necessary by the Division to meet the emergency situation. These processes include:

1) Identifying staffing needs;
2) Identifying travel plans; and
3) Following a defined approval process for both staffing and travel plans.

Delineated below are the specific provisions of the contract that were the focus of the staffing and travel plans:

- Pursuant to Section 2.4 of Appendix B (Request for Proposal 2181) to contract C000831, in the event of a disaster requiring contractual services, the Division will contact Tidal Basin via phone call or email and direct Tidal Basin as to which titles are needed, how many staff will be initially required, and the location(s) and time(s) (i.e., dates) of deployment on a case-by-case basis. A disaster staffing plan must be submitted, approved and implemented within 72 hours from the initial request/notification. Non-disaster staffing plans must be submitted, approved and implemented within 5 business days from the initial request/notification.
- Pursuant to Section 2.5 of Appendix B (Request for Proposal 2181) to contract C000831, subsequent to the scheduling of work process described in Section 2.4 above, Tidal Basin must submit travel plans for the deployment for each project to the Division. Travel plans must be submitted in a format and method prescribed by and/or accepted by the Division. The Division must pre-approve all travel plans and may reject or require changes to the submitted plans. Additional travel as may be required throughout the project shall follow the same approval process.

During our examination, the Deputy Commissioner for the Office of Disaster Recovery told us she is responsible for approving the staffing and travel plans. To do so, Division representatives stated that when the Division requires consultants for services pursuant to the contract, Tidal Basin submits resumés to the Division, and the Division's program officials recommend a candidate(s) to the Deputy Commissioner for approval. Similarly, when the consultant's assignment requires travel, the Division's program officials request approval from the Deputy Commissioner. After the Deputy Commissioner approves staffing or travel, the Division's Senior Administrative Analyst sends an approval email to Tidal Basin, which serves as an official record of the staffing or travel requested and approved by the Division. The Division's Disaster Finance is copied on these emails. These plans document the Division's request for, and authorization of, Tidal Basin staffing and travel requirements. Therefore, the staffing and travel expenses on Tidal Basin invoices should be in accordance with the approved staffing and travel plans.

In addition to the requirements of SFL Section 109, 2 NYCRR Section 6.3, and GFO Chapter XII.4.B, the Division's SOP acknowledges that per the NYCRR, agencies are required to support any claim for payment entered into the SFS with sufficient original source documentation including, but not limited to, a contractor invoice or a contractor claim and a receipt. Furthermore, the SOP states that Disaster Finance must ensure Tidal Basin invoices meet the requirements of the contract, verify goods and services ordered were received, and retain all original source documentation to support the payment. The invoice reviewer must also validate the supporting documentation matches the invoice amount.

Based on the audit, we determined that Disaster Finance did not ensure the charges incurred on the invoice were in line with the approved staffing and travel plans because they did not refer to the approved plans when reviewing the invoice. Without referring to the approved plans when reviewing the invoice, Disaster Finance's invoice reviewers could not verify if (i) the services received were consistent with the services requested and approved by the Division, and (ii) the invoice amounts were correct and properly supported, yet Disaster Finance certified in the SFS the vouchers were just, true and correct. Additionally, Disaster Finance delegated a portion of the invoice review to program staff, such as verifying the hours billed were accurate. However, the program staff interviewed by our auditors did not provide documentation or other evidence to demonstrate their review process contained steps to ensure invoices aligned with the approved plans. Despite the lack of documentation, Disaster Finance certified to the Comptroller's Office that $24.1 million paid during our examination period was appropriate without reviewing sufficient evidence to support that the expenses were authorized by the Division.

Because the Division's invoice review process lacked the controls to ensure payments were appropriate, our auditors selected a sample of 13 projects for which the Division paid staffing and travel expenses and requested all staffing and travel plans for these projects to determine whether the Division maintained the approved staffing and travel plans. Because consultants can work on multiple projects, the Division should have produced 172 approvals (i.e., plans) for our sample, including 120 approvals for staffing expenses (i.e., staffing plans) and 52 approvals for travel expenses (i.e., travel plans). However, after 12 separate requests for these plans to the Division spanning from March through October 2024, the Division produced 17 plans for our sample, of which 11 plans contained all the information required by the contract while the remaining six staffing plans did not. In total, the Division was unable to adequately produce 93.6% of the plans in our sample. As a result, for the plans the Division was unable to produce, the Division was unable to support that it approved or maintained these plans and therefore, did not have a basis for certifying the related expenses were appropriate to pay.

Of the 172 plans we selected for our sample accounting for $12.4 million in expenses, 155 plans associated with expenses totaling $11.22 million were not provided by the Division and 6 plans totaling $687,229 did not contain enough information for the Division to ensure the expenses on the invoice were appropriate. The Division was able to produce 11 plans totaling $453,460 that met the requirements of the contract, giving us some assurance these payments were appropriate despite the lack of Division review of these plans prior to payment. However, we have no assurance that payments associated with expenses totaling $11.9 million were authorized and, therefore, appropriate.

We found the Division lacked the necessary control activities to ensure (i) the Division obtained all the information required by the contract, as evidenced by the six incomplete staffing plans discussed above, (ii) the Division obtained and/or retained most of the approved plans in accordance with the Division's applicable record retention schedules, as approved by the State Archives and Records Administration, or (iii) the invoice reviewers used the plans when verifying invoices were appropriate to pay. The SOP states Disaster Finance is responsible for ensuring Tidal Basin invoices meet the requirements of the contract. Because the Division's processes were not sufficient, Disaster Finance did not have a process to document that the services received were consistent with the services approved by the Division and the invoice amounts were correct and properly supported by the plans.

When discussing the need for the approved plans, the Deputy Commissioner stated her predecessor responsible for approving the plans did not leave records of the approved plans. However, it is the Division's responsibility to have proper controls in place to ensure staffing and travel plans meet the requirements of the contract and are maintained in accordance with the GFO and the State Archives and Record Administration record retention policies, regardless of Division turnover. Further, auditors identified at least three plans that should have been approved during the current Deputy Commissioner's tenure but were not provided to OSC auditors. This indicates that the change in plan approvers explains some, but not all, of the lack of approved plans.

Agency Response and Final OSC Notes:

In response to our preliminary audit findings, the Division asserts that it located staffing and travel plans for the majority of the staffing and travel expenses in the audit scope period. However, the Division did not provide copies of these plans at any point during the examination, nor did they convey any specific steps taken to review said documents that then led to their conclusion that these plans supported almost all of the expenses. As a result, we do not have sufficient, appropriate evidence to determine these expenses are appropriate. Further, this development does not provide any assurance that it had or used these plans at the time of approving the invoices in question.

Also in response to our preliminary audit findings, the Division states that it implemented additional controls in this area, including preparing written correspondence after any verbal authorization for staffing and travel plans; maintaining a roster with a list of all consultants, authorizations and disasters to then compare to invoices; and completing additional levels of review for invoices.

In addition to these new controls, we further recommend the Division:

1. Ensure staff involved in the invoice review and/or approval process are familiar with the current policies, procedures and other controls implemented by the Division.
2. Continue to update the Division’s policies, procedures and other controls over the payment process to ensure it only certifies to the Comptroller staffing and travel expenses that are appropriate, because the associated plans are (i) approved by the Division, (ii) documented as outlined in the Division’s contract, (iii) utilized in the Division’s invoice review process, and (iv) retained in accordance with the Division’s applicable record retention schedules, as approved by the State Archives and Records Administration.
3. Provide training and/or opportunities for staff to attend OSC training related to contract and payment monitoring that will ensure the Division staff responsible for reviewing and approving invoices follow the requirements of the contract and the controls over the payment process.
4. Obtain, review and proactively require the necessary records (such as, but not limited to, staffing and travel plans) for all staffing and travel expenses invoiced by Tidal Basin, and recover expenses paid inappropriately.

Questionable and Inappropriate Travel Status

In addition to the relevant sections of SFL, NYCRR, the GFO, the OSC Travel Manual and the contract that are referenced above, in accordance with the Division’s SOP, the Division’s Disaster Finance is responsible for retaining all original source documentation to support each payment to Tidal Basin and ensuring Tidal Basin invoices meet the requirements of the contract. This includes ensuring consultant travel expenses are reimbursed according to the same travel rules and regulations that apply to State employees. The SOP also prescribes that the Division supervisor or staff responsible for overseeing and reviewing the consultant's work must verify the consultants with travel expenses on invoices were approved to be in travel status.

Information on home addresses and official stations is needed to determine whether each consultant was in travel status and therefore eligible for reimbursement of travel expenses. However, the Division certified the travel expenses paid during our examination period were just, true, correct, and incurred in the performance of the Division's official functions without maintaining or reviewing information about the consultants' home addresses and official stations; or in the case of one consultant, the Division had evidence showing the consultant was traveling within the proximity of their home and therefore, expenses the Division paid were not eligible for reimbursement.

Because the Division did not provide any documentation to support it maintained home addresses or official stations, the Division did not demonstrate it maintained or reviewed the consultants' home addresses and official stations prior to approving invoices. Since this information is the basis for determining travel expense reimbursement eligibility, we question the appropriateness of, or found inappropriate, the $1.6 million that the Division paid Tidal Basin for consultants' travel expenses during our examination period. Part of this $1.6 million includes $23,128 the Division paid Tidal Basin for one consultant's travel expenses even though a Division invoice reviewer identified evidence the consultant may have incurred travel expenses at a work assignment that was within 35 miles of their home. This invoice reviewer previously raised this concern to his management, but as of the date the Division paid these expenses, it had not yet made a final determination on whether the travel expenses were appropriate. While its review was still ongoing, the Division inappropriately paid $23,128 including: (i) $16,914 for the consultant's rent, meals and incidental expenses, where our auditors determined the consultant was not in travel status; (ii) $3,181 where the documentation did not include the location of travel, and therefore the consultant may not have been in travel status; and (iii) $3,033 for meals and incidental expenses where the consultant was not in travel status and when the consultant's timecards did not reflect any time worked for the Division.

Agency Response and Final OSC Notes:

In its response to the preliminary audit findings, the Division stated it subsequently located internal records and determined that, in fact, all consultant travel expenses paid during the examination period were incurred while the consultants were in travel status. Subsequent to its response, the Division provided additional internal records including lists of home addresses and duty stations for Tidal Basin consultants. However, the addresses on those lists did not contain sufficient information to verify the travel status of the consultants paid for during the examination period. Further, for the specific consultant's travel expenses totaling $23,128, noted above, our auditors evaluated these new internal records against the evidence we previously obtained and determined that the address on the Division's internal records was outdated, and the original evidence we relied upon, which was more recent, supports that the consultant's home was within the vicinity of their work assignment. As such, we still conclude the consultant was not in travel status and the $23,128 the Division paid for these expenses was inappropriate. Because this specific consultant's address information was outdated, and the address information for other consultants was incomplete, we question the Division's determination that the other consultants' travel expenses were incurred while they were in travel status.

These inappropriate or questionable travel expenses were paid without appropriate oversight because either: (i) the head of the Division did not designate the official station and identify a reliable home address for consultants, or (ii) the head of the Division made these designations but the Division did not maintain any record of these determinations. Further, no Division representative we interviewed could tell us what the designated official stations were, despite multiple attempts by our auditors to pinpoint this information, and the Division's SOP does not provide instructions for designating or maintaining a record of official station or home address.

Without reliable address information, the Division's Disaster Finance officials did not have a way to determine whether travel expenses were appropriate at the time of certifying to the Comptroller that expenses invoiced were just, true and correct. In addition, they were not able to verify consultants' travel status during invoice review. For example:

1. The Director of Finance stated Disaster Finance relied on the Program Chiefs to verify travel status.
2. One Program Chief stated he approved the consultants' need to travel but delegated the review of travel expenses to his subordinates who worked closely with the consultants.
3. A Deputy Chief who directly supervised consultants stated she verified her consultants were in travel status. However, during her verification she did not obtain a record of the official station or home address.

When asked about the travel of the specific consultant described above, a Disaster Finance representative stated the consultant's travel expenses should not have been paid while the Division's review was ongoing and cited staff turnover as the cause of their approval.

In response to the preliminary audit findings, the Division indicates that it implemented new controls for onboarding consultants' assigned disasters and travel statuses, including following up on any verbal conversations with written affirmation. However, the Division's response does not articulate any specific improvements made related to maintaining information on home addresses or official station. The Division also asserts that it has now located internal records and verified all 55 consultants were in travel status. However, the Division did not produce these records during this examination. As a result, we do not have evidence to support the Division's statements or attest to the appropriateness of these expenses, nor does this provide assurance that these documents were used to ensure the invoices in question were appropriate.

We recommend the Division:

1. Review the Division's controls over the payment process, and establish additional control activities to ensure the Division only pays for travel expenses when consultants are in travel status and eligible for reimbursement of travel expenses.
2. Designate an official station in accordance with NYCRR based on updated and reliable information and maintain a record of home address for all consultants.
3. Review the $1.6 million in travel expenses the Division paid Tidal Basin for consultants' travel to determine, based on sufficient and appropriate evidence, if the consultants were in travel status and eligible for travel expenses. Recover improper payments as appropriate.
4. Review travel expenses the Division paid Tidal Basin outside of the examination period. Recover improper payments, as appropriate.
5. Require that all expenses have the necessary documentation to establish that the costs are just, due and owing.

Non-Compliant Travel Expenses

In the "Questionable and Inappropriate Travel Status" finding above, we question the appropriateness of the entire $1.6 million in travel expenses paid during the examination period because the Division approved the expenses without a documented designation of the consultants' home addresses or official stations, which serves as the basis for determining if consultants are eligible for reimbursement of travel expenses. Without the home address or official station, the Division could neither determine nor appropriately certify whether the consultant was in travel status and, therefore, eligible for reimbursement of travel expenses. As a result, the travel expenses highlighted in this finding may already be ineligible for payment. In the event the consultant was, in fact, in travel status, we continue to question the sample of expenses outlined below.

The OSC Travel Manual states, in part, that (i) all authorized travel must be in the best interest of the State, (ii) only actual, reasonable and necessary business-related expenses will be reimbursed, (iii) travelers must use the most efficient and cost-effective method of transportation available, and (iv) travel expenses must be properly indicated and justified on the traveler's expense report.

The OSC Travel Manual also states:

- When the use of a rental vehicle is necessary and prudent, the OGS centralized passenger vehicle rental contract (OGS contract) must be utilized to rent the vehicle if it provides the most efficient and cost-effective rental vehicle. Therefore, if a traveler does not use the OGS contract when renting a vehicle, and the rate of the rental vehicle chosen exceeds the OGS contract rate, the Division should reimburse Tidal Basin for rental vehicle expenses only up to the maximum rental vehicle rates allowed by the OGS contract.

- Travelers must provide the following documentation with their expense reports:
  - For airline or train travel, the ticket stub if the purchase price is printed on the stub, or the receipt and ticket stub if the purchase price is not printed on the stub.
  - For rental cars, the receipt.

In accordance with the Division's SOP, the Division's Disaster Finance (also known as Recovery Finance) is responsible for ensuring the consultants' travel expenses are reimbursed according to the same travel rules and regulations that apply to State employees. Disaster Finance is also responsible for retaining all original source documentation to support each payment to Tidal Basin.

To conduct our testing, we selected a sample of six consultants whose expenses totaled $328,935 and examined all travel expenses paid for those consultants during our examination period. These expenses included, but were not limited to, vehicle rentals, airline, train, and fuel.

Our audit sample of six consultants with travel expenses totaling $328,935 included:

- 33 non-OGS contract vehicle rental expenses totaling $17,851. Of this, we determined that the Division paid Tidal Basin in excess of the OGS contract's daily, weekly and/or monthly rates for all 33 vehicle rental expenses. Further, for 19 of the 33 instances, the Division also paid Tidal Basin for miscellaneous fees, including but not limited to, Concession Recovery Fees, Transportation Fees, and a Facility Charge. The documentation provided to us for these expenses did not support that any of the miscellaneous fees were reasonable, necessary or in the best interest of the State. As a result, our auditors questioned a portion of these expenses, and in response, the Division's Director of Finance could not justify their appropriateness and stated these expenses should not have been paid.
- 50 airline, train, baggage or fuel expenses totaling $7,836. Of this, we found 11 instances of airline travel and 9 instances of train travel where Tidal Basin provided receipts but did not provide the ticket stub to support the travel occurred, as required by the OSC Travel Manual.

As a result, the Division paid Tidal Basin $11,968 for travel expenses that did not comply with requirements in the OSC Travel Manual, including:

- $5,475 for inappropriate vehicle rental expenses, including $4,109 in overpayments for vehicle rental expenses that exceeded the OGS contract rates, and $1,366 for

miscellaneous fees that were not substantiated as reasonable, necessary or in the best interest of the State;
- $6,493 for ticketed travel, including $3,986 for airline travel and $2,507 for train travel, without the ticket stub to support the travel occurred.

This occurred because, according to the Division's SOP, Disaster Finance is responsible for obtaining all original source documentation and verifying travel expenses were in accordance with the contract. However, the SOP does not include effective monitoring steps to ensure travel expenses billed to the Division are appropriate, including verification to: (i) compare rental car expenses charged to the applicable vehicle rental rates from the OGS contract, or (ii) ensure the documentation requirements from the OSC Travel Manual were met. As a result, Disaster Finance approved invoices from Tidal Basin which did not contain sufficient information to support that the travel expenses were appropriate. In addition, a Disaster Finance staff member responsible for reviewing travel expense reports stated they did not have a sufficient understanding to properly apply the rules and regulations described in the OSC Travel Manual when reviewing travel expense reports.

Agency Response and Final OSC Notes:

In response to our draft audit report, the Division states that the auditors did not provide details of any specific vouchers or expenses that constitute the $11,968 in travel expenses that did not comply with the OSC Travel Manual. This statement is inaccurate. On July 14, 2025, OSC provided the Division with the details of this finding, including the voucher number, the name of the Tidal Basin consultant, the amount the Division paid, and the exact overpayment amount.

We recommend the Division:

1. Review the Division's controls over the payment process, including control activities and information and communication, and establish additional controls to ensure travel expenses paid by the Division are appropriate prior to certifying in the SFS that the payment is just, true and correct and therefore, appropriate to pay.
2. Review and recover as appropriate the $11,968 the Division paid Tidal Basin for vehicle rental expenses in excess of the OGS contract amount and unsubstantiated miscellaneous fees, airline and train expenses that did not comport with documentation requirements.
3. Review the expenses paid to Tidal Basin outside of our examination period and audit sample to ensure they are appropriate and recover as appropriate.
4. For the Division employees charged with reviewing and approving the invoice for payment, assess their understanding of the rules and regulations and provide training where necessary.

5. Require that all expenses have the necessary documentation from contractors to establish that the costs are just, due and owing.

Unreconciled Vouchers

In addition to the requirements outlined in SFL Section 109, Chapter XII.5.B of the GFO states that, in an effort to prevent the payment of duplicate invoices, agencies must include only one invoice on a voucher. If the agency is not satisfied with certain charges on an invoice, they may create a voucher to pay a portion of the invoice that is properly supported. This may result in the agency creating multiple vouchers to pay a single invoice. In these instances, the agency should make clear on the voucher the portion of the invoice for which payment is being made. Further, the GFO, Chapter XII.4.F states that if the services on an invoice have not been rendered, agencies should return the unpaid invoice and notify the vendor within one business day to resubmit a proper invoice once the services have been rendered.

We found that for the 332 vouchers paid in our examination period, 28 vouchers that the Division certified as just, true, correct, and appropriate to pay did not reconcile to the amount of the associated invoice(s). The Division also did not make clear on these vouchers the portion of the invoice for which payment was made. Our auditors made at least 12 requests to the Division over seven months for documentation to support which itemized expenses on the invoice(s) comprised the voucher total. This caused a significant delay in the progress of the fieldwork portion of our audit. Ultimately, for 25 of the 28 vouchers (89%), the Division did not provide documentation but verbally indicated to our auditors which invoice line items comprise the payment or provided explanations, which our auditors used to reconcile the invoice charges to the voucher(s). However, the Division could not demonstrate which itemized expenses it paid on eight invoices paid across three vouchers.

The Division approved 28 vouchers totaling $8.3 million without documenting which charges were just, true, correct, and appropriate to pay. As a result, it was unclear which expenses from the associated 106 invoices totaling nearly $17.7 million were paid on these 28 vouchers. In addition, paying multiple invoices on the same voucher overrides the internal controls of the SFS, as outlined in the GFO, Section XII.5.B, resulting in the risk to the State of duplicate payments. After our analysis, the Division was unable to reconcile expense lines totaling $170,427 it paid on eight invoices totaling $1.7 million, and did not provide evidence to support it returned the invoice(s) to Tidal Basin with notification to resubmit a proper invoice per Chapter XII.4.F of the GFO. These unreconciled amounts were associated with three vouchers totaling $3 million. The lack of documentation substantially delayed the progress of our examination because OSC auditors could not determine which charges were paid. Further, OSC auditors were unable to test the expenses totaling $170,427 to determine if the payments were appropriate per the terms of the contract. In addition, without this information, the Division would not be able to perform a post-payment review of these expenses.

Agency Response and Final OSC Notes:

In response to the preliminary audit findings, the Division stated it was able to reconcile the $170,427, but agrees the reconciliation was not provided at the time of our requests. However, the Division did not provide specific information that enabled our auditors to independently reconcile the $170,427. As a result, the Division was unable to provide sufficient, appropriate evidence to determine these expenses are appropriate. Further, this development does not provide any assurance that the Division determined the unreconciled expenses were appropriate at the time of approving the invoices in question.

This occurred because, according to the Division, for many of the invoices in question it partially paid those invoices and held a portion for further Division review. While it is appropriate to hold payment on certain line items to ensure they are appropriate, in the instances described above, the Division did not obtain a revised invoice from Tidal Basin nor establish a clear record of what it approved for payment. Further complicating the issue, in several instances, the vouchers did not reconcile to an invoice because the Division paid multiple invoices on a voucher without identifying the amount paid from each invoice, despite GFO guidance to the contrary (see Chapter XII.5.B). A Division representative explained that the Division processed multiple invoices on a voucher to speed up payment processing. However, going forward, the Division stated it updated its process to pay only one invoice on a voucher.

We recommend the Division:

1. Evaluate and improve the invoice review process to ensure the Division maintains documentation to support the expenses it pays, obtains revised invoices from Tidal Basin when appropriate, and pays only one invoice per voucher as directed by the GFO.
2. Review the $170,427 paid to determine if the expenses were just, true, and correct and appropriate to pay. Recover any overpayments identified, as appropriate.
3. Provide training and/or opportunities for staff to attend OSC training on proper payment processing.

VI. Conclusion:

Based on the results above, this audit found that the Division's overall review process lacked the necessary controls to ensure expenses the Division paid to Tidal Basin during the examination period were appropriate to pay. As a result, the Division approved the $24.1 million in payments to Tidal Basin without verifying the expenses were appropriate. Further testing of a sample of the $24.1 million of expenses also found that $12.1 million of the expenses paid were inappropriate or there was not sufficient documentation to support the expenses were appropriate. The internal control deficiencies identified in this audit may extend to processes used for other payments certified by the Division, which during the audit period included more than 16,000 payments totaling nearly $5 billion. Given the critically important role that the Division has in the event of a disaster or other emergency and the significant amount of funding that is provided for this as well as other Division purposes, it is important for the Division to ensure these recommendations are considered and implemented timely, before additional expenses under this contract or other Division agreements are entered into the SFS for payment. This will ensure that the voucher authorizers and approvers are in compliance with the SFS Terms of Service, which requires these voucher approvers to attest that “vouchers certified/approved by [them] and submitted to OSC are for claims that are just, true and correct and, therefore, appropriate to pay.” In addition, the Division has the potential to recoup a significant amount of State funds for inappropriate expenses paid under this contract.

NEW YORK STATE | Homeland Security and Emergency Services

KATHY HOCHUL
Governor

JACKIE BRAY
Commissioner

November 7, 2025

Holly Reilly, Director
Office of State Comptroller
Bureau of State Expenditures
110 State Street
Albany, New York 12236

Dear Director Reilly:

The New York State Division of Homeland Security and Emergency Services (DHSES) has reviewed the Office of the State Comptroller's (OSC) draft report summarizing OSC's examination of payments made by the DHSES to Tidal Basin Government Consulting, LLC, pursuant to Contract C000831 (Contract).

As detailed within the draft report's Executive Summary, the Contract totaled $91.7 million for disaster recovery consultant services. OSC's audit examination was limited to a portion of the Contract covering the period of July 1, 2022, through June 30, 2023, wherein DHSES paid Tidal Basin $24.1 million which includes $22.5 million for professional services and $1.6 million for travel expenses.

Importantly, DHSES agrees with the report's recommendations that focus on strengthening its internal controls which were addressed and implemented before the audit's completion. DHSES, and specifically the Office of Disaster Recovery Programs, continuously work to assure compliance and mitigate risks for current and future contractual engagements. However, DHSES does not agree with those characterizations and recommendations that are overgeneralized, unsupported or misleading. The information identified in and the general tone of the report do not support the auditors' recommendations.

* Comment 1

As to a response to the four categories used by the auditors to structure the report's finding and recommendations (Staffing and Travel Plans; Questionable and Inappropriate Travel Status; Non-complaint Travel Expenses; and Unreconciled Vouchers), DHSES respectfully refers OSC to DHSES' response to OSC's preliminary audit findings submitted on August 18, 2025. A copy of that response is attached and incorporated by reference. As the OSC draft audit report, dated October 7, 2025, tracks the preliminary audit's findings and mirrors, with minor exceptions, the recommendations provided by the auditors to DHSES on July 9, 2025, the response submitted remains appropriate.

The report's findings consist of overly broad statements without sufficient and appropriate evidence to support the conclusions made. The report lacks sufficient detail or information for DHSES to determine whether the broadly phrased inferences of potential improper or unauthorized payments are valid. For example, while the report's executive summary asserts

*See NYS Office of the State Comptroller's Comments

that DHSES paid $11,968 for travel expenses that did not comply with the OSC Travel Manual, the auditors did not provide details of any specific vouchers or expenses that constitute this sum. Additional concern is raised as portions of the report inferring improper payments rely on travel documentation requirements that are outdated, i.e., boarding passes. In addition, the auditors identify $11.9 million as potentially inappropriate based upon a small sample of review. It is important to note that DHSES maintained the underlying staffing and travel plans as indicated in the preliminary audit response. The auditors did not outline the bases for this finding and failed to provide a path for DHSES to take corrective action regarding those payments should any be improper which is inconsistent with the purpose and spirit of general auditing. *Comments 2, 3

The auditors' recommendation that DHSES "obtain, review and proactively require the necessary records … for the $24.1 million in staffing and travel expenses paid during [the] scope period" effectively directs that DHSES re-validate the full scope of expenditures that were subject to the audit, without providing evidence to support this overly broad directive. The inference set forth by this recommendation is misleading. *Comment 2

While acknowledging that early interactions with DHSES staff may have been marked by strained interactions, the report's statements that the auditors faced significant delays in obtaining necessary documentation or that DHSES employees were non-cooperative is not accurate. Beginning in 2023, shortly after the initial engagement of this matter, the auditors interviewed several DHSES employees. As part of those interviews, the auditors made several verbal requests for documents that were timely responded to. Thereafter, several months transpired with no requests made by OSC until March 2024. At that time, the auditors began a series of requests seeking volumes of information to be produced under unreasonably short and arbitrary time periods. DHSES provided necessary and relevant documents in successive responses but, in no case, were any responses delayed "upwards to seven months" as is stated within the report. Despite the narrow window(s) for response placed upon these requests, DHSES consistently worked with OSC staff over the next year to provide documents and foster a cooperative relationship between our respective representatives. At the auditors' request, additional interviews occurred during this period. Notwithstanding, the draft report uses characterizations of non-cooperation to support conclusions rather than being based upon actual erroneous or undocumented payments indicating a lack of objectivity by the auditors. *Comment 1

The longest delay associated with audit of the Contract was the lack of any communications from the auditors to DHSES between December 2024 and July 2025, when DHSES received the preliminary audit findings and request for a meeting for a closing conference. Shortly thereafter, OSC's Department of Audit and Control reviewed and approved a new and similar contract between DHSES and Tidal Basin covering August 2025 through July 2030.

The subjective nature of the report is reflected by determinations of questionable and inappropriate travel status and approvals, which is unsupported and speculative. DHSES' internal review confirmed the appropriateness of travel expenses in accordance with OSC's Travel Manual and practice. To the extent the auditors recommend that DHSES review and recover unspecified travel payments, the auditors should provide details of any such offending payments. *Comment 4

Despite the narrow scope of the review, the report improperly infers a conclusion that a greater portion of $5.4 billion of payments – covering DHSES' entire disbursements over the period of

*See NYS Office of the State Comptroller's Comments

review. This inference is misleading and unsupported and does not recognize that this amount primarily comprises of payments to local governments.

While DHSES does not agree with the totality of the report's finding and recommendations, DHSES agrees with the auditors' recommendation that DHSES continues to strengthen our overall internal controls. Significant improvements have been and will continue to be made to mitigate the risks raised within the report. DHSES remains dedicated to maintaining transparency and cooperation in future reviews.

* Comment 4

*See NYS Office of the State Comptroller's Comments

Homeland Security and Emergency Services

KATHY HOCHUL
Governor

JACKIE BRAY
Commissioner

August 18, 2025

Sarah Sabin, Audit Supervisor
Office of the State Comptroller
Bureau of State Expenditures
110 State Street – 10th Floor
Albany, NY 12236

Dear Sarah Sabin:

In connection with the Office of the State Comptroller's (OSC) examination of payments that the Division of Homeland Security and Emergency Services (DHSES) made to Tidal Basin Consulting Group, pursuant to contract C000831, DHSES Disaster Recovery Programs (DRP) is providing the following responses to OSC's preliminary audit findings.

DHSES Response to OSC Tidal Basin Audit

Audit Summary: OSC conducted an audit of the Tidal Basin contract to determine if payments made to Tidal Basin were appropriate pursuant to the terms of the contract. During the examination period of July 1, 2022 through June 30, 2023, DHSES DRP paid Tidal Basin $24.1 million. This amount includes $22.5 million for professional services and $1.6 million for travel expenses.

DHSES Response: DHSES DRP has implemented new controls and procedures for reviewing and paying contractor invoices that have rectified all issues of non-compliance addressed in the preliminary audit findings from OSC. DHSES DRP is continuously working to refine these processes for future contractual engagements.

DHSES DRP now has an auditor reviewing all travel expenses in accordance with the OSC Travel Manual and the OSC Guide to Financial Operations (GFO). Additionally, all professional fees and travel expenses are reviewed by multiple DHSES DRP employees before payment, including the auditor's supervisor, the contractor's supervisor, program chief, and the Director of DRP Finance. DHSES DRP is strictly adhering to all OSC travel rules, including but not limited to: obtaining prior approval for travel, ensuring the contractors are using the appropriate GSA rates, ensuring all rental vehicle expenses are within the OGS contract rates, and all expenses are properly supported with sufficient receipts. Any expenses that are not supported by appropriate, itemized receipts will be denied reimbursement. Invoices with missing documentation will be held and payment will be withheld until the required receipts are provided by Tidal Basin. To strengthen internal controls and ensure compliance with agency accounting requirements and prudent stewardship of public funds, DHSES DRP has implemented a new travel authorization form for all travel requests, effective July 31, 2025; the form must be completed and approved before travel is booked or incurred.

Finding #1 – Non-Compliant Travel Payments

OSC Finding: A sample of travel expenses paid between July 1, 2022 to June 30, 2023 were examined for six contractors totaling $328,935.

DHSES DRP paid $5,475 for inappropriate vehicle rental expenses, including $4,109 in overpayments for vehicle rental expenses that exceeded the OGS contract rates, and $1,366 for miscellaneous fees that were not substantiated as reasonable, necessary or in the best interest of the State.

DHSES DRP paid $6,493 for ticketed travel, including $3,986 for airline travel and $2,507 for train travel, without the ticket stub to support the travel occurred. Further, DHSES DRP paid Tidal Basin $571 for fuel without evidence to support a traveler that rented a car, and therefore, may not be appropriate.

DHSES Response: Per the contract, Tidal Basin contractors must adhere to state travel rules and guidelines that govern New York State employees. Upon further review, DHSES DRP was able to find rental car receipts in subsequent invoice packages to support $468.60 of $571 in fuel expenses that OSC identified as missing receipts. DHSES DRP is unable to thoroughly review the finding of $5,475 for inappropriate vehicle rental expenses without additional detail/documentation from OSC, including their calculations for their determination of this finding. DHSES DRP acknowledges the finding of $6,493 for ticketed travel without boarding passes but would like to highlight that the travel is corroborated with hotel receipts and other documentation provided in the invoice package. DHSES DRP understands that ticket stubs/boarding passes are required with the invoices/receipts for train and airline travel per the OSC Travel Manual but would like to point out that this is an outdated process and not feasible because physical boarding passes are now rarely provided for air and train travel. DHSES DRP is adhering to the guidelines set out in the contract when reviewing all invoices and has implemented increased controls and levels of review for all Tidal Basin invoices and payments.

Finding #2 – Questionable and Inappropriate Travel Status

OSC Finding: Between July 1, 2022 and June 30, 2023, DHSES paid Tidal Basin $1.6 million for travel expenses. DHSES DRP does not have proper documentation on file for the contractors' home addresses and official stations, and therefore OSC cannot determine if the $1.6 million paid for travel expenses is appropriate.

Of the $1.6 million, $23,128 paid for one contractor's travel that was incurred within 35 miles of their home means the contractor should not have been in travel status and the amount was inappropriately paid.

DHSES Response: In a subsequent review of internal records DHSES DRP located home addresses, the Tidal Basin invoice documentation, and from Tidal Basin for all 55 contractors, totaling $1,633,565.95, listed in the preliminary findings details from OSC. DHSES DRP verified all contractors were in travel status. In January 2022, DHSES DRP implemented new controls and procedures for onboarding contractors' assigned disasters and travel statuses, including following up any verbal conversations with written affirmation. All documentation obtained from internal records and from Tidal Basin provided evidence that this contractor's home address is more than 35 miles from their work assignment.

Finding #3 – Staffing and Travel Plans

OSC Finding: The contract with Tidal Basin and DHSES DRP states that DHSES DRP should have records, e.g., phone call, email, etc., directing Tidal Basin of the requested staffing and travel plans required for each disaster. According to OSC, DHSES DRP did not maintain appropriate staffing and travel plans and therefore did not review the appropriate plans before approving invoices for payment. OSC reviewed a sample of 13 projects, which should have contained 172 approved plans since contractors can work on multiple projects. Of the 172 plans reviewed for the sample, proper documentation was not produced for 161 plans. As a result, $11.9 million in payments, $10.7 million for professional fees and $1.2 million for travel expenses, to Tidal Basin cannot be confirmed that they were properly authorized and appropriate to pay.

DHSES Response: DHSES DRP agrees that all staffing and travel plans must be maintained and recognizes that some prior staffing and travel plans executed during the audit period may have been arranged during a phone call, which is allowed per the contract. Beginning in January 2022 DHSES DRP implemented new controls for onboarding contracts to include written correspondence after any verbal authorization for staffing and travel plan were made. DHSES DRP's Administration and Fleet Unit maintains a roster with a list of all the hired contractors, travel authorizations, and which disasters they are approved to work on. This roster is compared to the invoices by the audit team to issue payments. Additionally, all invoices are reviewed by the contractor's DHSES DRP supervisor and program chief, and they sign off on the invoices and timesheets attesting that the work completed and the travel expenses incurred were authorized and appropriate. Upon further review of this finding, DHSES DRP was able to find staffing and travel plans for $10,649,650.95 of $10,669,995.95 in professional fees and $1,076,769.26 of $1,240,917.89 in travel expenses but acknowledges that they were not provided at the time of the audit.

Finding #4 – Unreconciled Vouchers

OSC Finding: Of 332 vouchers paid from July 1, 2022 through June 30, 2023, 28 vouchers did not reconcile to the amount of the associated invoice(s). There were 106 invoices paid in those 28 vouchers. Paying multiple invoices on the same voucher does not comply with SFS internal controls, as outlined in the GFO. OSC was able to reconcile 25 of the 28 vouchers after DHSES DRP verbally indicated which invoice line items were included in the payment, but no additional supporting documentation was provided. The remaining three unreconciled vouchers total $3 million. Ultimately, from those three vouchers, expense lines totaling $170,427, consisting of eight invoices totaling $1.7 million, could not be reconciled or deemed appropriate to pay.

DHSES Response: DHSES DRP recognizes that paying multiple invoices in one voucher does not comply with the GFO's guidelines for internal controls. DHSES DRP eliminated the practice of paying multiple invoices on one voucher and pays one invoice per voucher. DHSES DRP was able to reconcile the $170,427 unreconciled amount referenced in the preliminary findings for the three vouchers and can provide that support but agrees that it was not provided to OSC at the time of their requests. There have been significant improvements to our internal record keeping regarding payments, specifically when an invoice is partially paid. There are multiple records indicating which line items are withheld for payment. There are multiple levels of DHSES DRP employees, including an auditor, the auditor's supervisor, the contractor's DHSES DRP supervisor, their program chief, and the Director of DRP Finance, who review the invoices and payment amounts before they are officially approved for payment and submitted in SFS. This updated invoice review process now includes the separation of duties between departments. The invoice review process is now assigned to DHSES DRP's Audit and Compliance Unit while the payment process is assigned to DHSES DRP's Finance Unit.

Thank you for your review and guidance throughout this process. DHSES DRP has implemented significant improvements to address the issues identified and to strengthen our overall internal controls. The enhancements discussed above have resulted in more efficient operations and reduced risk. DHSES DRP is committed to implementing the corrective actions outlined in the findings and maintaining strong internal controls going forward. DHSES DRP appreciates the auditors' observations and remains dedicated to maintaining transparency and cooperation in any future reviews.

Should you require any additional information, please contact Brian Jackson of DHSES' Office of Internal Audit if you should have any questions or need additional information.

Sincerely,

Rayana Gonzales
Deputy Commissioner for Disaster Recovery

cc: Terence O'Leary
Brian Jackson
Alison Maura
Celines Jorge-Gecewicz

NYS Office of the State Comptroller's Comments on Auditee Response

OSC Comment 1: The Division states that the auditors make recommendations without providing information to support them. Further, the Division claims that there was no case in which any responses were delayed upwards of seven months and asserts that our timeframes were unreasonably short and arbitrary. These statements are inaccurate. The information supporting our recommendations is detailed in the Findings section of this report starting on page eight. For the Staffing and Travel Plans and Unreconciled Vouchers findings, OSC auditors initially requested documentation on March 8, 2024 with a two-week turnaround, bringing the timeframe to March 22, 2024. When the Division did not provide documentation by this date, OSC auditors offered the Division additional opportunities to provide the requested documentation. These were communicated to the Division 11 times between March and October 2024. The Division acknowledges that it worked with OSC staff over the course of a year to provide documents and that the auditors requested additional interviews during this period. These additional interviews were necessary because the information requested was not readily available. After seven months, the Division produced 17 of the 172 staffing and travel plans. The Division stated it has since found the plans for the majority of expenses in our sample, but acknowledged these plans were not provided at the time of the audit. Further, as of October 2024, the Division was unable to reconcile expenses totaling $170,427. The Division states it has now reconciled this amount, but agrees it did not provide this reconciliation at the time of our requests.

OSC Comment 2: The Division states that the auditors "did not outline the bases for the staffing and travel plans finding and failed to provide a path for DHSES to take corrective action regarding those payments, should any be improper." This statement is inaccurate. Page nine of this audit report clearly outlines the basis for this finding when it states that the Division did not ensure the charges incurred on the invoice were in line with the approved staffing and travel plans because they did not refer to the approved plans when reviewing the invoice, and this section of the report goes on to provide additional details.

OSC Comment 3: The Division states that certain findings in the report are based on travel documentation requirements that are outdated, specifically boarding passes. This statement is inaccurate. The non-compliant travel findings outlined in this report are not based on boarding passes. In fact, per the OSC Travel Manual, boarding passes are not acceptable forms of documentation. As such, travelers are required to submit either the passenger's portion of the airline ticket or an e-ticket to substantiate travel.

OSC Comment 4: OSC does not agree with the Division's claim that the report is subjective, unsupported and speculative. Each finding in this report is based on evidence, or lack thereof, and OSC auditors provided the Division numerous opportunities prior to writing the audit report to address each finding.