

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

May 15, 2015

Major General Patrick Murphy
Division of Military and Naval Affairs
330 Old Niskayuna Road
MNBF Room 412
Latham, NY 12110

Re: 2013-0003-Deployed Resources

Dear Major General Murphy:

Our Office is performing an examination¹ of payments the Division of Military and Naval Affairs (DMNA) made in response to Superstorm Sandy (Sandy). The objectives of our examination are to determine whether DMNA conducted appropriate procurements, paid appropriate prices, and received the quantity of goods and services it procured during the Sandy response. The examination is ongoing, and we will keep you informed of our findings as we progress. At this time, we are reporting our results on the appropriateness of DMNA's payments to Deployed Resources to provide a turnkey base camp at Floyd Bennett Field (FBF).

A. Results of Examination

We found DMNA complied with procurement requirements to contract with Deployed Resources. However, we found DMNA did not have an effective monitoring system in place to accurately record the number of service members at FBF and did not make timely adjustments to ongoing services based on its actual needs. As a result, DMNA missed the opportunity to reduce expenses for base camp services by \$90,801 when out-of-state service members returned to their home station on November 16 and November 17, 2012.

We also found that because DMNA did not have an effective monitoring system, it could not validate the number of service members Deployed Resources billed for the periods November 4 through November 6, 2012 and from November 18 through December 16, 2012. Therefore, DMNA has no assurance it paid Deployed Resources the correct amount for services during those time periods.

¹We performed our examination in accordance with the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution, as well as Article II, Section 8, and Article VII, Section 111 of the State Finance Law.

We shared a draft report with DMNA officials and considered their comments (Attachment A) in preparing this final report. In their response, DMNA officials stated that they currently have a mechanism in place to track personnel so that adjustments can be made to the personnel count, as applicable. DMNA officials also state that due to the uncertainty of the emergency, some of the changes could not be planned significantly enough in advance to reduce expenditures. However, as detailed in this report, we found that the mechanism contained incomplete and/or inaccurate information, making it ineffective for monitoring the daily count and making timely adjustments in services.

B. Background and Methodology

During Superstorm Sandy, DMNA procured services from Deployed Resources for a turnkey base camp at FBF for New York State and out-of-state service members from November 4, 2012 through December 16, 2012. Under the agreement, Deployed Resources was paid a fixed per-person-per-day rate for temporary living and sleeping quarters, meals, and necessary equipment and services to sustain operations for each service member on site. According to the purchase orders, Deployed Resources was to be reimbursed: (i) for the actual number of service members on-site for the periods November 4 through November 6, 2012 and November 18 through December 16, 2012; (ii) for an estimated 2,200 service members for the period November 7, 2012 through November 8, 2012; and (iii) for an estimated 2,000 service members for the period November 9, 2012 through November 17, 2012. DMNA also paid Deployed Resources for other necessary equipment and services not included in the fixed rate.

We examined \$5,433,273 in payments DMNA made to Deployed Resources. To conduct our examination, we examined relevant documentation and interviewed DMNA and Deployed Resources staff and officials and selected subcontractors. We sought to determine whether payments DMNA made to Deployed Resources were appropriate and complied with procurement requirements, including: (i) Sections 112 and 163 of the State Finance Law; (ii) the New York State Procurement Guidelines; (iii) Sections 16.6 and 16.16 of the Codes, Rules and Regulations of the State of New York; and (iv) Budget Bulletin B-1203.

C. Details of Findings

To ensure it paid for only actual daily services needed, DMNA had four reports available to monitor the daily count of service members on site at FBF. These included: (i) Deployed Resources daily field reports, (ii) DMNA daily situation reports, (iii) the Emergency Management Assistance Compact report for out-of-state soldiers assigned to the Sandy Mission, and (iv) the payroll database for the New York National Guard. We found incomplete and/or inaccurate information in each of the reports. Therefore, DMNA could not effectively monitor the daily count and make timely adjustments in services based on actual needs. As a result, DMNA missed the opportunity

to reduce expenses for base camp services by \$90,801 when out-of-state service members returned to their home station on November 16 and November 17, 2012.

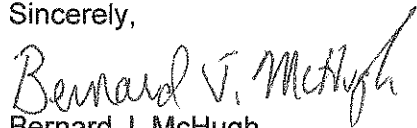
We also found that because DMNA did not have an effective monitoring system, it could not validate the number of service members Deployed Resources billed for the periods November 4 through November 6, 2012 and from November 18 through December 16, 2012. Therefore, DMNA has no assurance it paid Deployed Resources the correct amount for services during those time periods.

Recommendations

- 1) *Maintain accurate, timely, and contemporaneous personnel strength projections and records to allow DMNA to effectively assess, track and meet the agency's resource needs during disasters.*
- 2) *Implement an effective monitoring process which allows DMNA to accurately determine the daily personnel count at its base camps and monitor payments appropriately.*
- 3) *Adjust the daily personnel count, as necessary, to reduce expenses for base camp services.*

We would appreciate your response to this report by June 15, 2015, indicating any actions planned to address our recommendations. We thank the management and staff of the Division of Military and Naval Affairs for the courtesies and cooperation extended to our auditors.

Sincerely,



Bernard J. McHugh
Director of State Expenditures

Enc: Attachment A

cc: Robert Martin, Audit Liaison
Robert Curtin, Director of Internal Audit



ANDREW M. CUOMO
Governor
Commander-in-Chief

PATRICK A. MURPHY
Major General
The Adjutant General

APR 2 2015

Bernard J. McHugh
Director of State Expenditures
Office of the State Comptroller
110 State Street
Albany, New York 12236

Dear Mr. McHugh:

Thank you for your Draft Report 2013-0003, dated March 19, 2015 regarding the payment of goods and services by the Division of Military and Naval Affairs relating to the Superstorm Sandy emergency response. The agency has reviewed your report and would like to offer the following comments:

- 1) *Maintain accurate, timely, and contemporaneous personnel strength projections and records to allow DMNA to effectively assess, track and meet the agency's resource needs during disasters.*

The agency currently has a tracking mechanism in place regarding personnel strength. This is used to determine what resources are needed during an emergency activation of the National Guard and State Militia. However, due to the fluidity of the SANDY response to meet the needs of the civilian population, it was difficult to project strength beyond a 12-hour window of operation.

- 2) *Implement an effective monitoring process which allows DMNA to accurately determine the daily personnel count at its base camps and monitor payments appropriately.*

The logistics directorate within DMNA forecasted the daily strength counts at Floyd Bennett Field. It should be noted, however, that military operational assessments which occurred on a daily and sometimes hourly basis are challenging when correlating daily strength counts with payments. The agency understands that there must be accountability in relation to payments and personnel counts, but also realizes that there must be a degree of flexibility to allow for rapid response to a dynamic emergency environment.

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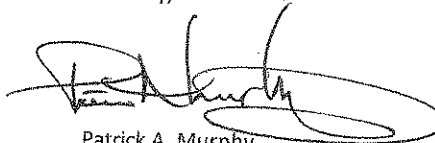
3) *Adjust the daily personnel count, as necessary, to reduce expenses for base camp services.*

The agency did make adjustments in its personnel count as applicable. However, as some of these changes could not be planned significantly enough in advance due to the uncertainty of the emergency, it was difficult to reduce expenditures in such a short period of time. Additionally, the agency must make contractual commitments during an emergency to a vendor who provides a service. In some instances, changes to the mission do not allow the agency to make the timely adjustments to support requirements and associated costs.

The agency appreciates the comments and recommendations of the State Comptroller and will continue to work toward improving its current contractual processes relating to emergency activations. Such improvements may include organizing large contracts into component sections to improve accountability in relation to payments. Additionally, the logistics directorate at DMNA is conducting training for National Guard units and activities to promote a more efficient process of procurement and management of services during an emergency response.

Please extend my thanks to your staff for conducting a thorough review.

Sincerely,

A handwritten signature in black ink, appearing to read "Patrick A. Murphy", is written over a horizontal line.

Patrick A. Murphy
Major General, New York Army
National Guard
The Adjutant General