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April 2018

Anthony J. Picente, Jr., County Executive
Members of the Legislature
Oneida County
Oneida County Office Building
800 Park Ave
Utica, NY 13501

Report Number: S9-17-16

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

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

Summary of Findings

County officials could improve controls over E911 revenues. Officials expended all E911 surcharges to improve communication networks and surcharges received from landline and VoIP¹ were used for E911 center expenditures. We commend County officials for improving its E911 systems and operations, using real property tax, grants and surcharges.

Officials were unable to determine whether the County received all E911 surcharges from its communication suppliers because 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

Oneida County has a population of 234,800² and is governed by a 23-member County Legislature (Legislature). The County's adopted 2016 budget totaled \$330.9 million. The Finance Department is responsible for the collection of E911 revenues, while the Department of Emergency Services is responsible for the E911 program and expenditures. The E911 services budget for 2016 was approximately \$4.7 million, funded by surcharges, real property tax and grants.

To summon emergency aid, people commonly use 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 one public safety answering point³ at the County's emergency communications center (center). In 2016, approximately 125,400 emergency E911 calls were answered in the County.

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

The evolution of 911 systems has had several phases including E911 Phase I, which enabled the call taker to see the wireless callback number and location of the cell tower closest to the caller. Phase II encompassed Phase I, but also allowed call takers to view the location of the caller by latitude and longitude with improved accuracy to within 125 meters (137 yards). Next generation

¹ Voice over Internet protocol

² 2010 US census

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

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

911 (NG911) is the latest phase, which allows callers to text, send pictures, videos and other data to the answering points.

The County's E911 system is fully upgraded to Phase II and NG911 text capabilities are in place, but cannot yet support picture or video messages. The County's system became text-to-911 ready in November 2014. However, depending on the wireless carrier providing service, the text-to-911 feature may be unavailable. If the supplier cannot handle the text-to-911 function, a text message will automatically be sent to the individual letting them know their text did not go through and to call 911 instead. The County can support photo messages and video messages. However, the County's wireless communication service suppliers do not yet support this function.

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

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

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

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). More information on the standards and the methodology used in performing this audit are included in Appendix B of this report. Unless otherwise indicated in this report, 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 - Oneida County is authorized by NYS County Law (County Law) to collect E911 surcharges for landline communication devices. The County imposes a 35 cent surcharge per device per month on landline communication services provided to customers within the County.

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

County officials told us that they were unaware if the County notified the landline service suppliers of the requirement to remit surcharges. Officials also told us that there is no all-inclusive list available of all landline service suppliers providing service within the County.

The County collected 1,134 remittances, with more than \$800,000 in surcharges for the audit period, to be used for operating and improving E911 services and expended approximately \$11.5 million (Figure 1).

Figure 1: Collections and Expenditures				
Revenues Collected	2014	2015	January 1 - June 30, 2016	Totals
Landline Revenues	\$328,757	\$338,386	\$139,341	\$806,484
Total Revenues	\$328,757	\$338,386	\$139,341	\$806,484
Expenditures				
Salaries, Benefits and Travel	\$3,187,882	\$3,836,373	\$1,749,101	\$8,773,356
Other Fees and Services	\$76,200	\$120,893	\$72,601	\$269,694
Office Equipment	\$5,457	\$227	\$0	\$5,684
Computer Hardware	\$186,814	\$161,545	\$6,070	\$354,429
Automotive Equipment	\$26,561	\$41,804	\$0	\$68,365
Other Equipment	\$7,860	\$5,969	\$15,783	\$29,612
Office Supplies	\$3,841	\$2,365	\$1,255	\$7,461
Insurance and Bonding	\$14,972	\$17,733	\$0	\$32,705
Rent/Lease - Equipment	\$2,124	\$1,487	\$743	\$4,354
Utilities	\$35,865	\$33,512	\$16,517	\$85,894
Telephone	\$134,551	\$130,586	\$75,465	\$340,602
Cellular Telephone	\$20,545	\$50,023	\$21,885	\$92,453
Meter Postage	\$1,170	\$1,047	\$380	\$2,597
Training and Special Schools	\$12,906	\$21,419	\$7,886	\$42,211
Uniforms and Clothing	\$7,251	\$7,196	\$329	\$14,776
Automotive Supplies	\$5,125	\$3,627	\$8,302	\$17,054
Automotive Repairs	\$1,483	\$2,476	\$3,006	\$6,965
Gasoline & Oil	\$18,515	\$7,663	\$5,077	\$31,255
Other Materials and Supplies	\$4,354	\$4,467	\$1,362	\$10,183
Computer Software and License	\$43,268	\$60,998	\$51,695	\$155,961
Maintenance, Repair and Services	\$266,343	\$300,974	\$199,343	\$766,660
Other Expenses	\$34,716	\$286,704	\$6,507	\$327,927
Safe Communities Initiative	\$15,075	\$9,375	\$0	\$24,450
Total Expenditures	\$4,112,878	\$5,108,463	\$2,243,307	\$11,464,648

County officials accepted in good faith that supplier remittances included all applicable revenue and withheld the appropriate amount of administrative fees. While landline surcharge revenues were received, officials were unable to verify whether these amounts were accurate and complete. A complete list of all suppliers operating within the County would enable officials to ensure

suppliers are sending surcharge payments on a monthly basis and prepare a trend analysis to identify any fluctuations in payment amounts that might be made in error or missed entirely.

Although, periodic remittance recalculations can be performed to verify that the suppliers are billing accurately and keeping the 2 percent administrative fee they were permitted to retain, County officials did not recalculate the administrative fees or the amounts billed and received. As a result, we reviewed 136 remittances⁶ totaling \$81,760 to determine whether the amounts received were accurate (Figure 2).

Figure 2: Collections			
	Total Collections		Collections Tested
Year	Amounts		Total Amount
2014	\$328,757		40
2015	\$338,386		53
2016	\$139,341		43
Totals	\$806,484		136

We found that 27 remittances (approximately 20 percent) totaling \$2,467 did not specify the amount of the administrative fees withheld. Therefore, County officials are unable to determine whether the fee retained is proper. We recalculated the administrative fees for the remaining 109 remittances totaling \$79,293 and found no discrepancies.

In addition, the documentation supplied on 10 remittances totaling \$6,984 did not include the number of communication lines the suppliers were billing for to enable County official to calculate the amounts that should have been billed or the amounts that should have been charged for administrative fees.

Separate Accounting for Landline Funds – County Law requires that the surcharges (landline and VoIP) 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 center needed approximately \$11.5 million (annual average of about \$4.6 million) to fund operations during our audit period. The County records separately tracked surcharge revenues and disbursements as a center expenditure. We reviewed 50 expenditures⁷ (10 personnel and 40 non-personnel) totaling \$469,218 to determine whether they were appropriate expenditures (Figure 3).

⁶ See Appendix B for information on our methodology.

⁷ Ibid.

Figure 3: Expenditure Testing Summary			
911 Center Expenditures		Testing Results	
Description	January 1, 2014 – June 30, 2016^a	Number of Expenditures Tested	Amount of Expenditure Tested
Salary, Benefits and Travel	\$8,773,356	10	\$375,655
Other Fees and Services	\$269,695	1	\$1,125
Computer Hardware	\$354,429	4	\$54,383
Other Equipment	\$29,612	2	\$4,850
Utilities	\$85,894	9	\$815
Telephone	\$340,602	2	\$3,057
Cellular Telephone	\$92,453	1	\$387
Meter Postage	\$2,597	2	\$59
Training and Special Schools	\$42,211	4	\$986
Other Materials and Supplies	\$10,183	1	\$80
Computer Software and License	\$155,960	2	\$727
Maintenance, Repair and Services	\$766,660	7	\$26,479
Other Expenses	\$327,928	5	\$616
Totals	\$11,251,580	50	\$469,219
^a Includes expenditures only for the categories selected as part of the audit sample. See Appendix B for more information of our sampling methodology.			

All of the expenditures we tested were for appropriate E911 goods and services (such as salary and benefits, telephone services, service contracts, equipment, training, office expenses and supplies, and utilities).

County officials told us that historically, the funding stream from the E911 surcharges for landline were insufficient to fully fund the NG911 upgrades. Officials also told us that real property tax 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 \$338,000, while the center expenditures totaled about \$5.1 million. Officials told us that they had sought wireless surcharge authorization, yet have not received State approval. In 2002 and 2011, the Legislature submitted bills to NYS for approval to collect wireless surcharges. However, neither bill was enacted.⁸ We estimate that the potential surcharge revenue generated from wireless devices would average about \$592,000 per year.⁹ This extra source of revenue could have helped the County fund E911 system upgrades.

⁸ 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.

⁹ See Appendix B for information on our methodology details

Annual Reporting - County law requires all landline suppliers to annually submit an accounting report of surcharge amounts billed and collected. The County has not contacted the suppliers to notify them of these requirements and County officials told us that they have never received any landline annual accounting reports from its 54 suppliers in 2014 and 62 suppliers in 2015.

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 tracking sheets or to deposits to confirm all surcharge revenues have been deposited. Further, the County has not contacted the suppliers to request these reports be submitted.

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

Recommendations

County officials should:

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

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

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

Sincerely,

Gabriel F. Deyo
Deputy Comptroller

APPENDIX A

RESPONSE FROM COUNTY OFFICIALS

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



**ONEIDA COUNTY
DEPARTMENT OF EMERGENCY SERVICES
FIRE COORDINATOR
911 CENTER**

ANTHONY J. PICENTE, JR.
County Executive

KEVIN W. REVERE
Director

120 Base Road ♦ Oriskany, New York 13424
Phone: (315) 765-2526 ♦ Fax: (315) 765-2529

December 1, 2017

Ms. Ann Singer
Office of the State Comptroller- Binghamton Regional Office
State Office Building, Room 1702
44 Hawley Street
Binghamton, New York 13901-4417

Dear Ms. Singer,

Oneida County is in receipt of the report on your audit of landline telephone surcharges. We are glad your office found Oneida County to be in compliance regarding the use of these funds, and the County will continue to utilize these funds effectively to improve our E911 systems and operations.

Oneida County understands the recommendations made in your report and thanks you for those recommendations.

The audit suggestion that the County undertake efforts to identify communications companies that provide telephone and other communication platforms (VOIP) in Oneida County, and to engage these companies in the collection of surcharges is understood. Unfortunately, there is no mechanism the County is aware of that would enable the County to obtain this information. The County would welcome any sort of instruction regarding this.

After consultation with the Department of Emergency Services, the Finance Department, and Audit and Control, the County's responses to the recommendations sited in your October 24, 2017 letter are as follows:

1. Contact the major landline and VOIP suppliers to request all annual reports accounting for surcharges billed and collected.

The County will adopt this recommendation. The County considers "major" suppliers to be Verizon, AT&T, and Spectrum, only.

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

At the present time, the County does not have adequate staffing to adopt this recommendation, and it would not be fiscally feasible to hire additional staff to perform this function. The County will consider this recommendation in the future as time and resources present.

3. Track all suppliers remitting surcharges and the monthly amount submitted, to ensure all surcharges are remitted and allow trend and analysis and audit reconciliation.

At the present time, the County does not have adequate staffing to adopt this recommendation and it would not be fiscally feasible to hire additional staff to perform this function. The County will consider this recommendation in the future as time and resources arise.

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

At the present time, the County does not have adequate staffing to adopt this recommendation and it would not be cost effective at the current time to hire additional staff to perform this function.

Oneida County thanks you for your suggestions in this matter, and will take them into consideration as the County's staffing and budget allows. Please contact me with any questions or concerns.

Sincerely,

Kevin W. Revere,
Director

Cc: Finance Department
Comptroller's Office
County Attorney's Office

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 E-911 revenues and expenditures.
- We performed a walkthrough of the 911 Center to observe and document the E911 capabilities.
- We reviewed 136 remittances from the months of January 2015, January 2016 and June 2016 to determine whether suppliers properly retained the 2 percent administration fee.
- We judgmentally selected and reviewed a sample of 40 non-personnel expenditures and 10 personnel expenditures to determine whether the purchases were appropriate.
- To project the County's wireless surcharge revenue (based on 70 percent of its population), we estimated the potential number of customer wireless device lines. We arrived at our population percentage by obtaining the total wireless surcharge revenue received by four other counties in 2014 and 2015 and dividing by the estimated annual revenue (12 months x \$.30). We used these results to estimate the total amount that the County could potentially generate from wireless devices.

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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.