

A Public Records Access request has been submitted.

Request By: Paul Berger

Signature: Paul Berger

Request date: 01/30/2018

Affiliation: The Wall Street Journal

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Personal
Information
Request: NO

Records seeking: Please provide me with a copy of the audit of Summit Security Services carried out in 2017 by the Port Authority's Office of the Inspector General.

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY
PUBLIC RECORD ACCESS FORM

PRA #18818

Action by (print / type name):

Danny Ng

, Freedom of Information Administrator

Signature:



Date:

03/19/2018

On behalf of the Secretary of the Port Authority, as Records Access Officer and Custodian of Government Records of the Port Authority.

- The requested records are being made available.
- Any responsive records that may exist are currently in storage or archived, and a diligent search is being conducted. The Port Authority will respond by:
- A diligent search has been conducted, and no records responsive to your request have been located.
- The requested records that have been located are not being made available, as they are exempt from disclosure for the following specific reasons:
- Some requested records that have been located are being made available. The remainder are exempt from disclosure for the following specific reasons:
- The request does not reasonably describe or identify specific records; therefore, the Port Authority is unable to search for and locate responsive records. Please consider submitting a new request that describes or identifies the specific records requested with particularity and detail.
- Other:

Material responsive to your request can be found on the Port Authority's website at <http://corpinfo.panynj.gov/documents/18818-O/>. Paper copies of the available records are available upon request.

This form is promulgated by the Port Authority pursuant to the Port Authority Public Records Access Policy and is intended to be construed consistent with the New York Freedom of Information Law and the New Jersey Open Public Records Act. It is intended to facilitate requests for Port Authority public records and does not constitute legal advice.

The Port Authority of NY & NJ Audit Department

AUDIT REPORT

SUMMIT SECURITY SERVICES, INC.

Unarmed, Uniformed Security Guard Services at Various Facilities

REVIEW of WAGE and BENEFITS COMPLIANCE

Report Date: September 26, 2017

TO: Michael DeGidio
Director, Security Operations & Programs Department, CSO

FROM: Kevin J. Coyle
Manager, Maintenance & Service Agreements Audit Division

COPY TO: J. Bilich, P. Bitwinski, R. Calvosa, M. Campbell, S. Dalessandro, G. Del Tufo,
M. Dundas, K. Eastman, D. Ehler, I. Engel, M. Gardner, A. Grampp, R. Joyce,
A. Levine, J. Mackey, M. Marino, A. Martin, D. McCarron, E. McCarthy,
T. Moore-Abrams, M. Nestor, S. Ortega, S. Pasichow, L. Valenti

****** NOT FOR RELEASE ******

This Report is for Port Authority Staff Only

AUDIT REPORT

SUMMIT SECURITY SERVICES, INC.

Unarmed, Uniformed Security Guard Services at Various Facilities REVIEW of WAGE and BENEFITS COMPLIANCE

OBJECTIVE & SCOPE

To determine whether Summit was in compliance with the minimum annual salary and benefits requirements for its management staff under Contract 4600009785. For the period March 1, 2016 to February 28, 2017, we verified \$1.1 million paid to Summit for salary and benefits. A report covering our wage compliance review for Summit's hourly employees will be issued separately.

BACKGROUND

Under Contract 4600009785, effective March 1, 2014, Summit provides unarmed, uniformed security guards and management staff at the Staten Island Bridges, George Washington Bridge, Howland Hook, New Jersey and New York Marine Terminals, New Jersey and New York Leased Properties, Port Authority Trans-Hudson Corp., Teleport, World Trade Center and TB&T Security Operations Center at the PATC. Approximately four months into the contract, the PA opted to remove the work associated with the WTC from the contract. The contract provides for a four-year base period, two 2-year options and a 120-day extension. Summit is currently in the fourth year of the base term.

As part of the contract, Summit provides an HR Manager, an Operations Manager and Operations Assistants, in addition to the management staff dedicated to the facilities. The costs of these employees' salaries and benefits are allocated across the facilities provided for under the contract through a management fee billed by Summit to each of the facilities. Summit is also required to pay specified annual salaries and health benefits for all management employees at rates specified in the contract.

METHODOLOGY

Our review included an evaluation of Summit's certified wage and benefit statements detailing salaries paid, and health benefits or stipends provided to the management employees. We examined Summit's labor distribution reports, payroll registers, cancelled checks and invoices in support of the health benefits paid or provided to its employees.

RESULTS

Our review disclosed that Summit did not fully meet the annual salary requirements of the contract due to paying some management employees amounts below what is required by the contract, resulting in a shortfall of \$3,865 inclusive of \$623 in associated interest charges.

We discussed our findings with Mr. Brendon McDonald, Summit's Vice President of Finance, and provided him with documentation in support of our findings. Mr. McDonald agreed with our findings but was non-committal to the interest charges assessed. We also discussed our findings with you, and you agreed with the results of our review.

RECOMMENDATION

The Comptroller's Department should post a credit memo in SAP against the next payment to Summit Security Services, Inc. in the amount of \$3,865 under the following purchase orders.

<u>Facility</u>	<u>PO #</u>	<u>Total by PO</u>
GWB	4500064718	\$ 409
NJMT	4500064720	\$ 563
NYMT	4500064721	\$ 563
NJ Properties	4500064723	\$ 500
NY Leased Properties	4500064724	\$ 500
PATH	4500064726	\$ 1,330
Total Deduction		<u>\$ 3,865</u>

-Original Signed By-

Kevin J. Coyle, Manager
Maintenance & Service Agreements Audit Division

Audit Staff: T. Casey

The Port Authority of NY & NJ Audit Department

AUDIT REPORT

SUMMIT SECURITY SERVICES, INC.

Unarmed, Uniformed Security Guard Services at Various Facilities

REVIEW of WAGE and BENEFITS COMPLIANCE

Report Date: December 5, 2017

TO: Michael DeGidio
Director, Security Operations & Programs Department, CSO

FROM: Kevin J. Coyle
Manager, Maintenance & Service Agreements Audit Division

COPY TO: J. Bilich, P. Bitwinski, R. Calvosa, M. Campbell, N. Crifo, S. Dalessandro,
G. Del Tufo, M. Dundas, K. Eastman, D. Ehler, I. Engel, M. Gardner,
A. Grampp, R. Joyce, A. Levine, J. Mackey, M. Marino, A. Martin,
D. McCarron, E. McCarthy, T. Moore-Abrams, M. Nestor, S. Ortega,
S. Pasichow, L. Valenti

****** NOT FOR RELEASE ******

This Report is for Port Authority Staff Only

AUDIT REPORT

SUMMIT SECURITY SERVICES, INC. **Unarmed, Uniformed Security Guard Services at Various Facilities** **REVIEW of WAGE and BENEFITS COMPLIANCE**

OBJECTIVE & SCOPE

To determine whether Summit Security Services, Inc. was in compliance with the wage, benefits, and health requirements for its hourly employees. For the period March 1, 2015 to February 28, 2017, we verified \$34.7 million paid to Summit for wages and benefits. A report covering our wage compliance review of Summit's Management staff was issued on September 26, 2017.

BACKGROUND

Under Contract 4600009785, effective March 1, 2014, Summit provides unarmed, uniformed security guards and management staff at numerous facilities including the Staten Island Bridges, George Washington Bridge, Howland Hook, New Jersey and New York Marine Terminals, New Jersey and New York Leased Properties, Port Authority Trans-Hudson Corp., Teleport, World Trade Center and TB&T Security Operations Center at the PATC. The contract provides for a four-year base period with a two-year option and a 120-day extension. Summit is currently in the fourth year of the base term.

Approximately four months into the contract, the PA opted to remove the work associated with the WTC site from the contract. While management employees associated exclusively with the WTC were no longer billed after the initial four months, the HR Manager, Operations Manager and Operations Assistant positions were still required, as they supplied services which were allocated across all the facilities under the contract. As a result, Summit approached the PA to recover the amounts it felt it was owed for the positions, now allocated against one less facility and you requested the Audit Department's assistance in determining the actual amounts due to Summit. We had previously determined and it was memorialized in a letter agreement dated June 13, 2016 that Summit is due a credit of (\$586,643) for the 4 years of the base term and the credit for the third year is reflected in the total amount due from Summit as a result of this audit. The credits for contract years one and two were already taken and the credit for the fourth year will be taken against a future audit of year four of the contract.

Under the terms of the contract, Summit is required to pay or provide not less than the minimum hourly wage requirements set forth in the contract according to the employee's position. Summit is also required to maintain average hourly direct wages, average supplemental benefits and average health benefits, as set in their Calculation of Hourly Rate Forms submitted for each category of employee. In addition, Summit shall pay or provide not less than the health benefits established in the contract for full-time employees, which shall be provided to the employee with no employee contribution to health coverage premiums.

METHODOLOGY

Our review included an evaluation of Summit's certified wage and benefit statements detailing hours worked, wages paid and supplemental benefits paid for all its hourly employees and management staff. We also verified that full-time hourly employees received health benefits as required. We examined Summit's labor distribution reports,

payroll registers, cancelled checks and health invoices in support of the supplemental benefits and health benefits paid or provided to its employees.

RESULTS

Our review disclosed that Summit did not fully meet the wage and benefits requirements of the contract resulting in a net shortfall of \$705,329, inclusive of \$113,608 in interest charges. Our findings include the credit due the contractor based upon a letter agreement between the PA and Summit, which provided for the contractor to be reimbursed for the allocated cost of certain positions stemming from the work removed from the contract at the WTC site. The details of our finding follow.

- Summit did not meet the average hourly direct wage requirements of the contract resulting in a shortfall of \$594,632 upon which interest charges of \$114,169 are due, resulting in a total shortfall of \$708,801. The shortfall was due to Summit paying their hourly employees the minimum hourly wages specified while not meeting the average hourly direct wages, which were equal or higher in all employee categories. This finding was also noted in our prior audit of the contractor.
- Summit did not meet the average supplemental benefits requirements of the contract resulting in a shortfall of \$116,740 upon which interest charges of \$22,414 are due, resulting in a total shortfall of \$139,154. The shortfall was due to Summit using the rates submitted with the original contract rather than the adjusted rates as per Supplemental Agreement #1, and incorrectly including overtime wages as part of their calculation of the hourly rates for supervisors.
- Summit did not meet the average health benefits requirement of the contract resulting in a shortfall of \$25,022 upon which interest charges of \$4,804 are due, resulting in a total shortfall of \$29,826.
- The minimum hourly wage requirements of the contract were not met by Summit resulting in a shortfall of \$11,963 upon which interest charges of \$2,297 are due, resulting in a total shortfall of \$14,260.

As previously noted, our review included the \$156,635 credit due to Summit due to its inability to invoice for the third contract period after termination of services at the WTC for the allocated portions of the HR Manager, Operations Manager and Operations Assistant positions as detailed in the letter agreement, between Summit and the PA. The agreement provided the amount that Summit would be compensated for the third year of their contract, and also specified that the PA would assess interest charges on the net amount due to the PA for any audit findings, after deducting the credit due to Summit. As a result, our findings were reduced to \$705,330 inclusive of associated interest of \$113,608.

**DISCUSSION WITH
AUDITEE**

We discussed the results of our review with you, and you agreed with our findings. We also discussed our results with Mr. Brendon McDonald, Summit's Vice President of Finance who disagreed with our results and was provided with documentation in support of our findings. We advised Mr. McDonald that if underpayments in the wages, supplemental and health benefits are paid to the affected employees, Summit would be reimbursed such amounts along with the associated interest once documentation substantiating the payments made is provided and reviewed by the Audit Department.

RECOMMENDATION

The Comptroller's Department should post a credit memo in SAP against the future payments to Summit Security Services, Inc. in the amount of \$705,329 under the following purchase orders.

<u>Facility</u>	<u>Purchase Order</u>	<u>Shortfall</u>	<u>% of findings</u>	<u>Credit for Mgmt Positions</u>	<u>Adjusted Amounts Due</u>	<u>interest</u>	<u>Total by PO</u>
				\$ 156,635.00			
GWB	4500064718	\$ 92,889	12.41%	\$ 19,442	\$ 73,447	\$ 14,102	\$ 87,549
Howland Hook	4500064719	\$ 16,923	2.26%	\$ 3,542	\$ 13,381	\$ 2,569	\$ 15,950
NJ Marine Terminals and Sealink	4500064720	\$ 14,705	1.96%	\$ 3,078	\$ 11,627	\$ 2,232	\$ 13,859
NY Marine Terminals	4500064721	\$ 5,602	0.75%	\$ 1,172	\$ 4,429	\$ 850	\$ 5,279
NJ Properties	4500064723	\$ 15,480	2.07%	\$ 3,240	\$ 12,240	\$ 2,350	\$ 14,590
NY Leased Properties	4500064724	\$ 74,456	9.95%	\$ 15,584	\$ 58,872	\$ 11,303	\$ 70,175
Staten Island Bridges (SIB and BBNCP)	4500064725	\$ 198,417	26.51%	\$ 41,530	\$ 156,887	\$ 30,121	\$ 187,008
PATH	4500064726	\$ 271,962	36.34%	\$ 56,923	\$ 215,039	\$ 41,287	\$ 256,326
Teleport	4500064727	\$ 37,136	4.96%	\$ 7,773	\$ 29,363	\$ 5,638	\$ 35,001
TBT SOC at PATC	4500064728	\$ 20,787	2.78%	\$ 4,351	\$ 16,436	\$ 3,156	\$ 19,592
		\$ 748,357		\$ 156,635	\$ 591,721	\$ 113,608	\$ 705,329

-Original Signed By-

Kevin J. Coyle, Manager
Maintenance & Service Agreements Audit Division

Audit Staff: T. Casey