

Ohio Department of Administrative Services

Multi-Agency Radio Communication System

Performance Audit Summary

WHAT WE LOOKED AT

MARCS, the Multi-Agency Radio Communication System, is a state-of-the-art radio and data system that provides radio networks for emergency responders and other entities. The system is designed to facilitate communication between multiple entities and is typically used during emergency situations or at large pre-planned events. By using this system, entities can coordinate an appropriate response and improve the overall effectiveness and efficiency of individual efforts.

The Department of Administrative Services, a statewide agency, is responsible for managing the MARCS program through its Office of Information Technology. At the request of the Department, we conducted a performance audit of MARCS. The two primary objectives of the audit were to provide a comparison of MARCS' funding dynamics to similar programs in other states and to provide detailed insight into the fiscal health of MARCS, including a review of historical financial data and modeling of future expectations.

WHAT WE FOUND

All 50 states have some sort of radio system that functions similarly to MARCS, allowing for the communication between organizations on a secure radio frequency. The need for such systems was highlighted by the terrorist attack on 9/11 and Hurricane Katrina. During the response to both of these events, responders had limited ability to speak to each other, which hampered the overall response effort. MARCS uses technology that is in-line with federal guidelines developed by the Department of Homeland Security. Due to variations in operational need from state to state, comparisons between states were limited to a high-level review, which is contained in the following report.

Approximately 2,200 public service or safety organizations use MARCS for communication. To access the system, users must register individual radios and pay a monthly subscription fee per radio. In FY 2022, the revenue generated from these user fees covered the majority of MARCS operational expenditures. While we found that, historically, MARCS has maintained a substantial fund balance, there is danger that the fund balance will be depleted in the near future. Based on our financial modeling, it is likely that expenditures will begin to outpace revenues without some sort of change in fee structure or intervention from the Ohio General Assembly.

During the course of the audit, the Governor released his biennial budget proposal. If passed, this proposal would provide funding to MARCS that is expected to cover all currently identified operational expenditures. Under this proposal, user fees would be eliminated for governmental agencies and would be free for new agencies to join.

KEY OBSERVATIONS

Key Observation 1: Since beginning operations in the mid-2000s, MARCS has seen steady growth in its user base. As of FY 2022, there were approximately 2,200 public service or public safety organizations subscribed to the network. While there has been steady, sustained growth, MARCS administrators lack insight into the number of potential users that have yet to join the network. This is particularly important when considering the potential impact of the Governor’s budget proposal, which could result in an influx of new users. If passed, the Governor’s budget proposal could also impact the program’s tier partnerships, particularly with those that currently fund their systems with local tax dollars.

Key Observation 2: MARCS has historically maintained a substantial ending fund balance. However, as expenditures continue to rise, the fund balance represents a smaller portion of annual expenses. This is problematic because it can limit the ability of MARCS administrators to quickly react to unforeseen events or circumstances. Our financial modeling indicates that MARCS could have an overall fund deficit as early as FY 2027 without some sort of intervention.

Key Observation 3: Ending fund balances are typically how a program’s fiscal health is monitored. However, due to the timing of large expenditures related to contracts, MARCS experiences low fund balances mid-year. These mid-year low point balances have already reached critically low levels in FY 2020, increasing the risk that the program will experience a mid-year zero balance, which would preclude program spending prior to the year end.

Key Observation 4: Typically, MARCS does not actively pursue delinquent accounts. At the time of our analysis, nearly 22 percent of all MARCS user accounts were delinquent 60 days or more. This equated to roughly \$1.2 million in uncollected revenue. These uncollected revenues could help MARCS improve month-to-month fund balances and prevent mid-year low point issues.

SUMMARY OF RECOMMENDATIONS

Recommendation 1: MARCS is a critical government service that provides emergency communications to organizations throughout the State and cannot be allowed to go offline. In order to maintain the personnel and systems necessary for operations, MARCS must remain fiscally stable. The financial modeling conducted by our office indicate that the program may be unable to meet financial obligations in approximately 2027. To prevent the need for emergency funding measures from the state General Revenue Fund, DAS must work to secure the program’s future financial stability now. This could include increasing the program’s user base, increasing fees, or considering alternative funding models. By working to resolve future financial issues now, the Department can avoid catastrophic disruptions to MARCS services.

Issue for Further Study: MARCS administrators have indicated that the current system should remain viable for several years and can handle a large increase in user base over time. However, due to the potential impact of providing MARCS services for free to all governmental users, MARCS administrators and the General Assembly should further consider the implications of a sudden increase in demand that may occur if the budget proposal is approved, along with several other business intelligence considerations.

Recommendation 2: When individuals or organizations receive a service, there is an expectation that any associated bills will be paid in a timely manner. MARCS user fees that are not paid within a 30-day period are considered delinquent and are referred to the Ohio Attorney General’s office for collection purposes after 45 days. We found that while DAS takes some action to pursue collections through informal procedures, there is no coordination to collect the delinquent fees once they are referred to the Attorney General’s Office. MARCS administrators should develop a formal policy which addresses existing delinquent account collection activities. Doing so will ensure the MARCS program is addressing all user accounts in a fair and transparent manner.

Recommendation 3: Having a sufficient level of cash reserves is critical for ensuring adequate, uninterrupted delivery of program services. Cash reserves that are appropriate to the level of a program’s operating expenses are not only an indicator of overall financial health, but in practical terms, they help to mitigate the risks of failing to cover both routine expense obligations, as well as those resulting from unforeseen circumstances. While the MARCS fund’s cash balances appear to be healthy at the end of each fiscal year, they tend to dip below safe levels throughout the course of a year as a result of the timing of payments associated with some of its largest contracts. This leaves the program more susceptible to cash shortfalls, which could translate into service levels that are not optimal. DAS should take steps to proactively manage program cash flows through some combination of modifying vendor payment timing and revenue receipts from customers, to ensure fund balances exceed a minimum safe level throughout the year. Doing so would mitigate the risk of fund deficits in the future. Adjusting the timing of either expense payment terms for its largest contracts or the timing of revenue receipts from its customers could mitigate the risk of fund deficits in the future and would help ensure the seamless delivery of services.