



## **WIRELESS E-911 SERVICES BOARD**

### **REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2012**

## **AUDIT SUMMARY**

Our audit of the Wireless E-911 Services Board (Board) for the year ended June 30, 2012, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System and the Board's financial system;
- no matters involving internal control and its operation necessary to bring to management's attention; and
- no instances of noncompliance with applicable laws and regulations or other matters that are required to be reported.

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## AGENCY HIGHLIGHTS

The E-911 Services Board (Board) consists of 15 members, of which the Governor appoints 12 members and the Chief Information Officer, the Director of the Virginia Department of Emergency Management, and State Comptroller serve as ex-officio members. The Board's responsibilities include promoting and assisting in the statewide development, deployment, and maintenance of enhanced wireless emergency telecommunications services and technologies. The Board also oversees and allocates the wireless E-911 special funds, and manages moneys appropriated for enhanced wire-line emergency telecommunication services in local jurisdictions that currently do not have E-911 capability. The Board employs ten staff to assist in managing grants awarded to Public Safety Answering Points (PSAP) as well as monitoring surcharge remittances submitted by Commercial Mobile Radio Service (CMRS) providers.

### Collection of Surcharge Fees

The Board generates all of its revenue through surcharge payments submitted by CMRS providers authorized to do business in Virginia. The surcharge is a monthly fee of 75 cents assessed to each CMRS telephone number in the Commonwealth. CMRS providers can retain three percent of the fee to cover their administrative costs. The purpose of this fee is to defray costs incurred in complying with the Code of Virginia. For fiscal year 2012, the surcharges, less administrative fee allowances, total \$55.2 million.

### Distribution of Surcharge Fees

The Board distributes approximately 60 percent of the Wireless E-911 Fund, after necessary administrative expenses, to PSAP operators on a monthly basis. PSAP operators are public safety dispatchers for fire, police, ambulance, and other local and state emergency services. Payments to PSAP operators are based on a distribution formula that uses the call load and PSAP provider cost information from fiscal year 2010. The Board extended the use of the fiscal year 2011 distribution formula to fiscal year 2012 in anticipation of changes to the distribution formula beginning in fiscal year 2013.

During fiscal year 2012, the Board distributed approximately \$25.8 million to PSAP operators and paid \$5.6 million to Verizon for wireless E-911 services provided directly to PSAP operators. Transfers during fiscal year 2012 as required by the Appropriation Act included: \$3.7 million to the State Police to offset dispatcher operating costs; \$8 million to the Compensation Board to pass on to local law enforcement dispatchers; and \$1.75 million to support the Virginia Geographic Information Network for the development and use of spatial data.

Additionally, the Board provides CMRS carriers with payments of up to 30 percent of the Fund. These payments cover the CMRS carriers' reasonable and direct capital costs, and operating expenses incurred by a carrier required to provide wireless E-911 service. Carriers must submit to the Board on or before December 31 of each year, their estimates of direct wireless E-911 costs they expect to incur during the next fiscal year. Although the Board may pay up to 30 percent of the Fund for this purpose, CMRS carriers rarely request the full amount of funding available each year. The Board issued approximately \$3.8 million of the Fund to CMRS carriers for these purposes during fiscal year 2012.

The Board awards the remaining ten percent of the Fund to PSAP operators through a grant program. The primary purpose of this program is to financially assist Virginia's primary PSAP operators with the purchase of equipment and services that support the continuity and enhancement of wireless E-911. Any Virginia primary PSAP operator that supports wireless E-911 is eligible to apply for and receive these funds, either as a stand-alone applicant or as part of a regional initiative or consolidation project. Grant awards cannot exceed the following:

- \$2,000 per primary PSAP for the Wireless E-911 PSAP Education Program

- \$150,000 for an individual primary PSAP or a currently consolidated PSAP that is also applying for a regional initiative involving another primary PSAP
- \$325,000 for a regional initiative involving two primary PSAPs or a currently consolidated PSAP or a secondary consolidation
- \$375,000 for a regional initiative involving three primary PSAPs and/or two primary PSAPs and a currently consolidated PSAP
- \$425,000 for a regional initiative involving four primary PSAPs and/or three primary PSAPs and a currently consolidated PSAP
- \$475,000 for a regional initiative involving five or more primary PSAPs and/or four or more primary PSAPs and a currently consolidated PSAP
- \$500,000 for an initial consolidation project

In addition to the annual ten percent allocation of the Fund to PSAP Grants, the Board allocates any unspent funds from the 30 percent CMRS cost recovery pool to the PSAP Grant Program. During fiscal year 2012, the Board paid \$2.4 million in PSAP grant expenses.

Board members receive reimbursement for travel expenses, and staff make payments for services necessary to carry out their responsibilities. Other agency expenses include payroll expenses, contractual services, and transfers to other state agencies. The CMRS fees fund the Board and staff expenses, which are generally about three percent of total revenue each year.

#### Federal Grant

In fiscal year 2010, the Board was awarded a Federal grant of \$1 million for the implementation and operation of Phase II Enhanced 911 services and for migration to an Internet-Protocol based emergency network. Expenses related to the federal grant occurred between fiscal years 2010 and 2013. All draw-downs for the federal funds were requested and received in fiscal year 2013.

#### Future Development

The General Assembly amended the Code of Virginia during the 2012 session and transferred PSAP distribution responsibilities to the Department of Taxation starting in fiscal year 2013. The PSAP distributions by the Department of Taxation will be based on each PSAP's average pro rata distribution from the Fund for fiscal years 2007-2012. Beginning in fiscal year 2018, and every five years thereafter, Taxation will determine the PSAP reimbursement rates based on the cost and call load data of the PSAP for the previous five fiscal years.

The Board will continue to administer the PSAP Grant Program and collect call load and cost data for the next reimbursement rate calculation in 2017. The Board will also continue providing technical assistance to the localities for E-911, interoperability, and Geographic Information Systems.



# Commonwealth of Virginia

## Auditor of Public Accounts

Martha S. Mavredes, CPA  
Auditor of Public Accounts

P.O. Box 1295  
Richmond, Virginia 23218

June 26, 2013

The Honorable Robert F. McDonnell  
Governor of Virginia

The Honorable John M. O'Bannon, III  
Chairman, Joint Legislative Audit  
and Review Commission

We have audited the financial records and operations of the **Wireless E-911 Services Board** (Board) for the year ended June 30, 2012. We conducted this performance audit in accordance with generally accepted government auditing standards. 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 objectives.

### Audit Objectives

Our audit's primary objectives were to evaluate the accuracy of recorded financial transactions in the Commonwealth Accounting and Reporting System and the Board's financial system, review the adequacy of the Board's internal controls, test compliance with applicable laws, regulations, contracts, and grant agreements and review corrective actions of audit findings from prior year reports.

### Audit Scope and Methodology

The Board's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws, regulations, contracts, and grant agreements.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered significance and risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

- Contractual services expenses
- Payroll expenses
- Collections of revenue
- Collections of accounts receivable
- Grant awards and disbursements

We performed audit tests to determine whether the Board's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of

applicable laws, regulations, contracts, and grant agreements. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of the Board's operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

### Conclusions

We found that the Board properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System and the Board's financial system. The Board records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial information presented in this report came directly from the Board's financial system.

We noted no matters involving internal control and its operation that we consider necessary to be reported to management. The results of our tests of compliance with applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Board has completed corrective action with respect to audit findings discussed in the Status of Prior Year Findings section in the prior year report.

### Exit Conference and Report Distribution

We discussed this report with management on July 23, 2013.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

JR/alh

E-911 SERVICES BOARD

BOARD MEMBERS

As of June 30, 2012

Michael M. Cline  
Chairman

John W. Knapp, Jr.  
Vice-Chairman

David Von Moll  
Treasurer

Linda W. Cage  
J.D. Diggs  
Danny Garrison  
Tracy Hanger  
Robert G. Kemmler  
Robert Layman

Ronald Mastin  
Doug Middleton  
Samuel A. Nixon  
Pat B. Shumate  
Mickey L. Sims  
Denise B. Smith



WIRELESS E-911 SERVICES BOARD  
 SCHEDULE OF FINANCIAL POSITION

APPENDIX A

	For the Year Ending <u>June 30, 2011</u>	For the Year Ending <u>June 30, 2012</u>
Assets		
Cash with Treasurer of Virginia	\$ 7,712,226	\$ 1,966,342
Accounts receivable	<u>4,062,349</u>	<u>8,088,096</u>
Total assets	<u>11,774,575</u>	<u>10,054,438</u>
Obligations		
Accounts payable	6,455,805	3,504,146
Grant commitments ( <b>Note 1</b> )	3,935,450	2,215,169
Accrued compensated absences	<u>89,761</u>	<u>102,078</u>
Total obligations	<u>10,481,016</u>	<u>5,821,393</u>
Net assets available	<u>\$ 1,293,559</u>	<u>\$ 4,233,045</u>

**Note 1:** Grant commitments are reflected on the schedule to provide a more relevant indication of the financial position based on potential and likely obligations. The actual expenses may be less than total grant commitments when all final requests for distribution are submitted by the recipients.

WIRELESS E-911 SERVICES BOARD  
SCHEDULE OF ACTIVITIES

APPENDIX B

	For the Year Ending <u>June 30, 2011</u>	For the Year Ending <u>June 30, 2012</u>
Operating revenues		
CMRS fees	<u>\$ 52,953,818</u>	<u>\$ 55,228,579</u>
Total operating revenues	<u>52,953,818</u>	<u>55,228,579</u>
Operating expenses		
Personal expenses	1,123,295	1,058,666
Contractual services	188,466	68,458
Supplies and materials	5,669	11,142
Rent, insurance and other related charges	42,875	18,552
Expendable equipment/improvements	391	2,970
NENA Spring conference	40,000	-
PSAP formula allocation payments	30,543,625	31,422,516
CMRS capital reimbursements	4,764,275	3,838,014
PSAP grant expenses	<u>1,409,873</u>	<u>2,418,775</u>
Total operating expenses	<u>38,118,469</u>	<u>38,839,093</u>
Operating gain	<u>14,835,349</u>	<u>16,389,486</u>
Transfers		
Transfers to other state agencies	<u>(13,450,000)</u>	<u>(13,450,000)</u>
Increase (decrease) in net assets	<u>1,385,349</u>	<u>2,939,486</u>
Total net assets available, July 1	<u>(91,790)</u>	<u>1,293,559</u>
Total net assets available, June 30	<u>\$ 1,293,559</u>	<u>\$ 4,233,045</u>