



# WIRELESS E-911 SERVICES BOARD

## REPORT ON AUDIT

### FOR THE YEARS ENDED

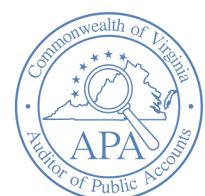
JUNE 30, 2013 AND JUNE 30, 2014

Auditor of Public Accounts

Martha S. Mavredes, CPA

[www.apa.virginia.gov](http://www.apa.virginia.gov)

(804) 225-3350



## AUDIT SUMMARY

Our audit of the Wireless E-911 Services Board (Board) for the fiscal years ended June 30, 2013, and June 30, 2014, 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.

## -TABLE OF CONTENTS-

|   | <u>Pages</u> |
|---|--------------|
| AUDIT SUMMARY                               |              |
| AGENCY HIGHLIGHTS                           | 1-2          |
| INDEPENDENT AUDITOR'S REPORT                | 3-4          |
| AGENCY OFFICIALS                            | 5            |
| APPENDICES                                  |              |
| Appendix A – Schedule of Financial Position | 6            |
| Appendix B – Schedule of Activities         | 7            |

## 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, including managing appropriations for enhanced wire-line emergency telecommunication services in local jurisdictions that currently do not have E-911 capability. The Board employs fourteen 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**

Beginning in fiscal year 2013, CMRS providers remit the surcharge to the Department of Taxation (Taxation) with a monthly return. Prior to 2013, the collection of the surcharge fees was the responsibility of the Board. This monthly surcharge of \$0.75 is assessed against each CMRS telephone number in the Commonwealth. CMRS providers can also retain three percent of the fee to cover their administrative costs. Taxation transfers the funds less an administrative fee to the Board. Surcharge fees transferred to the Board by Taxation totaled \$44.0 million for fiscal year 2013 and \$29.7 million for fiscal year 2014. Taxation began distributing the monthly PSAP formula allocations in March 2013 (see below for more details) which resulted in the decrease in surcharge fees transferred to the board in 2014.

### **Distribution of Surcharge Fees**

Taxation distributes 60 percent of the Wireless E-911 Fund to PSAP operators on a monthly basis. PSAP operators are public safety dispatchers for fire, police, ambulance, and other local and state emergency services. Prior to March 2013, this distribution was performed by the Board. Payments to PSAP operators are based on a distribution formula that uses the call load and PSAP provider cost information for fiscal years 2007-2012. On or before July 1, 2017, and every five years thereafter, the Board will recalculate the distribution percentage for each PSAP based on the cost and call load data for the previous five fiscal years. Total distributions to PSAP operators were approximately \$26.8 million in fiscal year 2013 and \$24.8 million in fiscal year 2014.

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 \$6.4 million of the Fund to CMRS carriers for these purposes during fiscal year 2013 and \$7.2 million during fiscal year 2014.

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 years 2013 and 2014, the Board paid \$4.1 million and \$5.8 million, respectively, in PSAP grant expenses.

The Board made transfers during fiscal years 2013 and 2014 as required by the Appropriation Act, to include \$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.

The remaining CMRS fees fund the Board and staff 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 Schedule of Financial Position and Schedule of Activities for fiscal years 2013 and 2014 are presented in appendices A and B. The schedules do not include the revenue collected and PSAP distributions made by Taxation.



Martha S. Mavredes, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

December 15, 2015

The Honorable Terence R. McAuliffe  
Governor of Virginia

The Honorable Robert D. Orrock, Sr.  
Vice-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 years ended June 30, 2013, and June 30, 2014. 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, and test compliance with applicable laws, regulations, contracts, and grant agreements.

## **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.

### **Exit Conference and Report Distribution**

We discussed this report with management on February 24, 2016. 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

JMR/alh

## E-911 SERVICES BOARD

As of June 30, 2014

Michael M. Cline  
Chairman

David A. Von Moll  
Treasurer

J. D. Diggs  
Danny Garrison  
Diane Hardings  
Pokey Harris  
Jim Junkins  
Lt. Colonel Robert Kemmler  
Robert Layman

Chief Anthony McDowell  
Chris McIntosh  
Chief Doug Middleton  
Sam Nixon  
David Ogburn  
Athena Plummer  
Kathleen Seay



**WIRELESS E-911 SERVICES BOARD  
SCHEDULE OF FINANCIAL POSITION**

|                                     | For the Year Ending<br>June 30, 2013 | For the Year Ending<br>June 30, 2014 |
|-------------------------------------|--------------------------------------|--------------------------------------|
| Assets                              |                                      |                                      |
| Cash with Treasurer of Virginia     | \$ 7,477,171                         | \$14,486,606                         |
| Accounts receivable                 | 5,734,194                            | 3,652,488                            |
| <b>Total assets</b>                 | <b>13,211,365</b>                    | <b>18,139,094</b>                    |
| Obligations                         |                                      |                                      |
| Accounts payable                    | 2,835,430                            | 5,002,367                            |
| Grant commitments ( <b>Note 1</b> ) | 2,841,961                            | 4,004,749                            |
| Accrued compensated absences        | 125,753                              | 130,890                              |
| <b>Total obligations</b>            | <b>5,803,144</b>                     | <b>9,138,006</b>                     |
| <b>Net assets available</b>         | <b>\$ 7,408,221</b>                  | <b>\$ 9,001,088</b>                  |

Source: VITA PeopleSoft Financial System

**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**

|  | For the Year Ending<br>June 30, 2013 | For the Year Ending<br>June 30, 2014 |
|--|--------------------------------------|--------------------------------------|
| Operating revenues                         |                                      |                                      |
| CMRS fees                                  | \$44,004,002                         | \$29,674,518                         |
|  |                                      |                                      |
| <b>Total operating revenues</b>            | <b>44,004,002</b>                    | <b>29,674,518</b>                    |
| Operating expenses                         |                                      |                                      |
| Personal expenses                          | 1,196,231                            | 1,414,301                            |
| Contractual services                       | 94,068                               | 164,421                              |
| Supplies and materials                     | 17,619                               | 17,684                               |
| Rent, insurance and other related charges  | 14,890                               | 15,576                               |
| Expendable equipment/improvements          | 7,980                                | 3,302                                |
| PSAP formula allocation payments           | 15,555,748                           | -                                    |
| CMRS capital reimbursements                | 6,373,405                            | 7,179,868                            |
| PSAP grant expenses                        | 4,118,885                            | 5,836,499                            |
|  |                                      |                                      |
| <b>Total operating expenses</b>            | <b>27,378,826</b>                    | <b>14,631,651</b>                    |
|  |                                      |                                      |
| <b>Operating gain</b>                      | <b>16,625,176</b>                    | <b>15,042,867</b>                    |
| Transfers                                  |                                      |                                      |
| Transfers to other state agencies          | (13,450,000)                         | (13,450,000)                         |
|  |                                      |                                      |
| <b>Increase (decrease) in net assets</b>   | <b>3,175,176</b>                     | <b>1,592,867</b>                     |
|  |                                      |                                      |
| <b>Total net assets available, July 1</b>  | <b>4,233,045</b>                     | <b>7,408,221</b>                     |
|  |                                      |                                      |
| <b>Total net assets available, June 30</b> | <b>\$ 7,408,221</b>                  | <b>\$ 9,001,088</b>                  |

Source: VITA PeopleSoft Financial System