



E-911 SERVICES BOARD

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2015

Auditor of Public Accounts
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AUDIT SUMMARY

Our audit of the E-911 Services Board (Board) for the fiscal year ended June 30, 2015, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System, Cardinal 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, 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.

Wireless E-911 Fund

The revenue in the Wireless E-911 Fund (Fund) is generated by a monthly surcharge of \$0.75 assessed against each wireless telephone number in the Commonwealth. The Department of Taxation (Taxation) is responsible for the collection of the surcharge, which the CMRS providers remit with a monthly return. The CMRS providers can retain three percent of the fee to cover their administrative costs. Taxation is responsible for distributing 60 percent of the Fund to PSAP operators on a monthly basis. Taxation then transfers the remaining 40 percent of the Fund, less an administrative fee retained by Taxation, to the Board for CMRS capital reimbursements and the awarding of PSAP grants. The transfers from Taxation to the Board for fiscal year 2015 totaled \$30 million.

Distribution of Surcharge Fees

PSAP operators receive 60 percent of the Fund, which Taxation distributes monthly. 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 for fiscal years 2007 through 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. Legislation was passed in the 2017 General Assembly session to postpone this deadline to July 1, 2018. Total distributions to PSAP operators were approximately \$26.8 million in fiscal year 2015.

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 \$8 million of the Fund to CMRS carriers for these purposes during fiscal year 2015.

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 2015, the Board paid \$6 million in PSAP grant expenses.

The Board made transfers during fiscal year 2015 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 and contractual services. The Schedule of Financial Position and Schedule of Activities for fiscal year 2015 is presented in Appendices A and B. The schedules do not include the revenue collected and distributed directly to PSAP operators by Taxation.



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Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

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November 15, 2016

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable Robert D. Orrock, Sr.
Chairman, Joint Legislative Audit
and Review Commission

We have audited the financial records and operations of the **E-911 Services Board** for the year ended June 30, 2015. 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, Cardinal, 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. The Board transitioned to using Cardinal, the Commonwealth's new accounting and financial reporting system, on October 1, 2014.

Audit Scope and Methodology

The E-911 Services 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 performed analytical procedures, including budgetary and trend analyses. We also tested details of transactions to achieve our objectives.

A nonstatistical sampling approach was used. Our samples were designed to support conclusions about our audit objectives. An appropriate sampling methodology was used to ensure the samples selected were representative of the population and provided sufficient, appropriate evidence. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

Conclusions

We found that the Board properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System, Cardinal, 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 16, 2017. 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/clj

E-911 SERVICES BOARD

As of June 30, 2015

Jeffrey D. Stern
Chairman

Chief Doug Middleton
Vice Chairman

David A. Von Moll
Treasurer

J.D. Diggs
Danny Garrison
Diane Harding
Pokey Harris
Jim Junkins
Robert Kemmler

Robert Layman
Anthony McDowell
Sam Nixon
David Ogburn
Athena Plummer
Kathleen Seay

Brandon Smith

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

	For the Year Ending June 30, 2015	For the Year Ending June 30, 2014
Assets		
Cash with Treasurer of Virginia	\$13,619,957	\$14,486,606
Accounts receivable	<u>2,500,000</u>	<u>3,652,488</u>
Total assets	<u>16,119,957</u>	<u>18,139,094</u>
Obligations		
Accounts payable	635,543	220,539
Grant commitments (Note 1)	5,034,199	4,004,749
Capital reimbursement commitments (Note 2)	1,017,000	4,781,828
Accrued compensated absences	<u>123,407</u>	<u>130,890</u>
Total obligations	<u>6,810,149</u>	<u>9,138,006</u>
Net assets available	<u>\$ 9,309,808</u>	<u>\$ 9,001,088</u>

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 PSAPs.

Note 2: Capital reimbursement 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 more or less than total capital reimbursement commitments when all final requests for reimbursement are submitted by the CMRS.

**E-911 SERVICES BOARD
SCHEDULE OF ACTIVITIES**

	For the Year Ending June 30, 2015	For the Year Ending June 30, 2014
Operating revenues		
CMRS fees	<u>\$30,087,424</u>	<u>\$29,674,518</u>
Total operating revenues	<u>\$30,087,424</u>	<u>\$29,674,518</u>
Operating expenses		
Personal expenses	1,451,923	1,414,301
Contractual services	816,829	164,421
Supplies and materials	11,657	17,684
Rent, insurance and other related	2,815	15,576
Expendable equipment/improvements	675	3,302
CMRS capital reimbursements	8,007,190	7,179,868
PSAP grant expenses	<u>6,037,615</u>	<u>5,836,499</u>
Total operating expenses	<u>16,328,704</u>	<u>14,631,651</u>
Operating gain	13,758,720	15,042,867
Transfers		
Transfers to other state agencies	<u>(13,450,000)</u>	<u>(13,450,000)</u>
Increase (decrease) in net assets	<u>308,720</u>	<u>1,592,867</u>
Total net assets available, July 1	<u>9,001,088</u>	<u>7,408,221</u>
Total net assets available, June 30	<u>\$ 9,309,808</u>	<u>\$ 9,001,088</u>

Source: VITA PeopleSoft Financial System