

**DEPARTMENT OF MANAGEMENT
SERVICES**

**EMERGENCY COMMUNICATIONS NUMBER
E911 SYSTEM FUND**

Operational Audit



SECRETARY OF THE DEPARTMENT OF MANAGEMENT SERVICES

The Department of Management Services (DMS) is created pursuant to Section 20.22, Florida Statutes. The head of DMS is the Secretary, who is appointed by the Governor and subject to confirmation by the Senate. The following Secretaries served the Department during the period of our audit:

Jack Miles	From January 21, 2011
David Faulkenberry, Interim	Through January 20, 2011
Linda H. South	Through January 3, 2011

E911 BOARD

The E911 Board (Board) is established pursuant to Section 365.172, Florida Statutes, and consists of eight members appointed by the Governor and one member designated by the Secretary of DMS. Of the eight members appointed by the Governor, four represent county 911 coordinators, two represent local exchange carriers, and two represent the wireless telecommunications industry. The member designated by the Secretary is a permanent member and serves as the Chair of the Board. Board members who served during the period of our audit are shown below.

Member	Entity Represented	Term of Office
William Smith, Chair	DMS	05/03/2011 – Present
Charles Ghini, Chair	DMS	01/04/2011 – 05/02/2011
John C. Ford, Chair	DMS	01/03/2005 – 01/03/2011
James G. Smith, II, Vice Chair	Local Exchange Carrier	11/09/2007 – 10/28/2011
Andrew Feeney	Local Exchange Carrier	03/19/2010 – 10/28/2013 ^a 11/09/2007 – 10/28/2009 ^a
Carolyn Dill-Collier	County 911 Coordinator	03/19/2010 – 11/22/2013
Sandi Chernoff (succeeded by Carolyn Dill-Collier)	County 911 Coordinator	11/23/2005 – 11/22/2009 ^a
Deborah Caruthers	County 911 Coordinator	11/09/2007 – 11/23/2010
Charles Freeman	County 911 Coordinator	03/19/2010 – 10/28/2013 ^a 11/09/2007 – 10/28/2009
Kim Paxton	County 911 Coordinator	11/09/2007 – 11/23/2010
Marilyn Haroutunian	Wireless Telecommunications	03/19/2010 – 10/28/2013 03/07/2008 – 10/28/2009
William Reid	Wireless Telecommunications	03/07/2008 – 10/28/2011

^a Continued to serve until reappointment or successor was appointed.

Source: Governor's Appointment Letters.

The audit team leader was Irene Johnston, CISA, and the audit was supervised by Frank Becton, CPA. Please address inquiries regarding this report to Christi Alexander, CPA, Audit Manager, by e-mail at christialexander@aud.state.fl.us or by telephone at (850) 487-9069.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9175; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

DEPARTMENT OF MANAGEMENT SERVICES

Emergency Communications Number E911 System Fund

SUMMARY

The Emergency Communications Number E911 Act (E911 Act) provides for a Statewide emergency telephone system for users of voice communications services.¹ The E911 Act requires each voice communications services provider (i.e., wireless providers and nonwireless providers) to collect a monthly fee billed to subscribers on a service-identifier basis. The rate of the fee is to be set by the E911 Board (Board) but may not exceed 50 cents per month per each service identifier. The amounts collected are accounted for in the Emergency Communications Number E911 System Fund (E911 Fund) administered by the Board with oversight by the Department of Management Services (DMS).² The law requires the E911 Fund to be segregated into two categories, those being: (1) the wireless category; and (2) the nonwireless category.³

State law requires the Auditor General to annually audit the E911 Fund.⁴ In planning and performing our audit, we applied the methodology listed under the OBJECTIVES, SCOPE, AND METHODOLOGY heading of this report, and for the significant controls tested and the compliance matters evaluated, our tests disclosed controls had operated effectively and no material instances of noncompliance.

BACKGROUND

The Emergency Communications Number E911 Act (E911 Act) states, in part, that it is the intent of the Legislature to establish and implement a comprehensive Statewide emergency telecommunications number system that will provide users of voice communications services within the State rapid direct access to public safety agencies by accessing the telephone number 911, to provide funds to counties to pay certain costs associated with their E911 or 911 systems, to contract for E911 services, and to reimburse wireless telephone service providers for costs incurred to provide 911 or E911 services.⁵ E911 is the designation for an enhanced 911 system or service that provides for automatic location identification and automatic number identification features. Voice communication services are all two-way voice services, through the use of any technology, that are required to be included in the provision of E911 services pursuant to orders and rules adopted by the Federal Communications Commission.

The E911 Act also established the E911 Board. The responsibilities of the nine-member E911 Board are enumerated in the E911 Act, and include:

- Receiving revenues derived from monthly fees billed to subscribers;
- Distributing portions of the revenues to wireless providers, counties, and the Department of Management Services (DMS);
- Accounting for receipts, distributions, and income derived from the balances maintained in the Emergency Communications Number E911 System Fund (E911 Fund); and
- Providing annual reports to the Governor and the Legislature on amounts collected and expended, the purposes for which expenditures have been made, and the status of E911 services in the State.

¹ Section 365.172, Florida Statutes.

² Section 365.173, Florida Statutes.

³ Section 365.173(1), Florida Statutes.

⁴ Section 365.173(3), Florida Statutes (2010).

⁵ Section 365.172(2), Florida Statutes.

Pursuant to the E911 Act, providers are to remit the fees collected from subscribers to the Board within 60 days after the end of the month in which the fee was billed along with a monthly report of the number of service identifiers whose primary use is in each county. The E911 Act authorizes providers to retain 1 percent of the fees collected as reimbursement for administrative costs.

The amounts provided by the Board to counties and providers for costs associated with E911 or 911 systems or services are based on the statutory rates established in law subject to modifications approved by the Board.⁶ The E911 Act authorizes the Board to implement changes to the allocation percentages provided in law, or reduce the amount of the fee, or both, if necessary to ensure the full recovery of costs or prevent overrecovery.

Table 1 shows the revenues, expenditures, and fund balances recorded in the E911 Fund for the 2009-10 fiscal year.

Table 1
E911 Fund Revenues, Expenditures, and Fund Balance
2009-10 Fiscal Year

Beginning Fund Balance		<u>\$ 17,223,958</u>
Revenue	E911 Fees	\$125,316,558
	Interest Income	<u>980,938</u>
	Total Revenue	<u>\$126,297,496</u>
Expenditures	Distributions to Counties	\$106,589,121
	Distributions to Providers	13,681,513
	Rural County Grants	2,372,684
	Board's General & Administrative Costs	<u>993,213</u>
	Total Expenditures	<u>\$123,636,531</u>
Ending Fund Balance - Unreserved		<u>\$ 19,884,923</u>

Source: Florida Accounting Information Resource Subsystem records.

FINDINGS

Management is responsible for administering the E911 Fund and related responsibilities in accordance with applicable laws, administrative rules, and other guidelines. Management is also responsible for establishing and maintaining effective internal controls to help ensure that specific entity goals and objectives are met; resources are safeguarded and efficiently, economically, effectively, and equitably used; and management and financial information is reliable and properly reported. State law requires the Auditor General to annually audit the E911 Fund.⁷ In planning and performing our audit, we applied the methodology listed under the **OBJECTIVES, SCOPE, AND METHODOLOGY** heading of this report, and for the significant controls tested and the compliance matters evaluated, our tests disclosed controls had operated effectively and no material instances of noncompliance.

DMS and the Board had taken actions to correct the findings included in report No. 2010-196 related to Board meeting travel expenditures, disbursements to providers, and interest earnings disbursement to counties.

⁶ Section 365.173, Florida Statutes.

⁷ Section 365.173(3), Florida Statutes (2010).

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit from December 2010 to May 2011 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.

This operational audit focused on the Emergency Communications Number E911 System Fund. The overall objectives of the audit were:

- To evaluate the effectiveness of established internal controls in achieving management's control objectives in the categories of compliance with controlling laws, administrative rules, and other guidelines; the economic, efficient, and effective operation of State government; the relevance and reliability of records and reports; and the safeguarding of assets.
- To evaluate management's performance in achieving compliance with controlling laws, administrative rules, and other guidelines; the economic, efficient, and effective operation of State government; the relevance and reliability of records and reports; and the safeguarding of assets.
- To identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

Our audit also included steps to determine whether DMS and the Board had corrected, or were in the process of correcting, the deficiencies disclosed in audit report No. 2010-196.

In conducting our audit we:

- Obtained an understanding of internal controls and tested key processes and procedures related to Board organization and reporting by:
 - Interviewing selected DMS and Board personnel.
 - Reviewing documentation to determine whether applicable Board members were properly appointed, completed the required Oath of Office, and timely filed required financial disclosure forms.
 - Reviewing Board actions recorded in official minutes of Board meetings held during the period July 2009 through June 2010.
 - Verifying that the Board filed its 2009 and 2010 Annual Reports with the Governor, Speaker of the House, and President of the Senate, and that the reports contained all the required information specified in Section 365.172(6)(c), Florida Statutes.
 - Auditing Board financial records compiled by the Board's accounting firm for the period July 2009 through June 2010 and comparing such records to Florida Accounting Information Resource Subsystem (FLAIR) records to determine that Board's transactions had been accurately and completely recorded in the State's accounting records.
 - Comparing the Board's approved budget to the Board's actual expenditures for the period July 2009 through June 2010 to determine that actual expenditures had not exceeded budgeted expenditures.

- Obtained an understanding of internal controls, tested key processes and procedures, and tested compliance with significant statutory requirements related to E911 fee revenues by:
 - Examining the effectiveness of selected Board procedures for identifying all wireless and nonwireless providers operating in the State of Florida and for reasonably ensuring the E911 fees due were remitted by providers.
 - Examining September 2009 E911 fee revenues totaling \$4,208,235 remitted to the Board by ten providers (five wireless and five nonwireless providers) to determine that revenues were collected, recorded, and accounted for in accordance with controlling laws, rules, and other guidelines.
- Obtained an understanding of internal controls, tested key processes and procedures related to expenditures made during the period July 2009 through June 2010, and tested compliance with significant statutory requirements by:
 - Examining wireless and nonwireless disbursements totaling \$914,946 made to ten counties.
 - Examining E911 Fund interest earnings disbursements totaling \$137,678 made to ten counties.
 - Confirming with 20 counties that the amounts shown as disbursed to the county were received by the county.
 - Reviewing award and other documentation, including grant applications, for five rural county grants, disbursements totaling \$863,612, and, as applicable, DMS and Board compliance with the *Florida Single Audit Act*.
 - Examining six final rural county grant reports associated with grant projects completed during the audit period.
 - Examining 15 Board disbursements to providers totaling \$2,947,733 to determine that the disbursements were made pursuant to sworn invoices submitted by the provider, as required by Section 365.173(2)(d), Florida Statutes.
- Obtained an understanding of internal controls, tested key processes and procedures, and tested compliance with significant statutory requirements related to Board administrative expenditures made during the period July 2009 through June 2010 by examining 35 expenditure transactions totaling \$100,965.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe those matters requiring corrective actions.

AUTHORITY

Section 365.173(3), Florida Statutes, requires that the Auditor General annually audit the E911 Fund. Pursuant to the provisions of Section 365.173(3), Florida Statutes (2010), I have directed that this report be prepared to present the results of our operational audit.



David W. Martin, CPA
Auditor General