



AUDITOR GENERAL

WILLIAM O. MONROE, CPA



DEPARTMENT OF MANAGEMENT SERVICES

WIRELESS EMERGENCY TELEPHONE SYSTEM FUND

Operational Audit

SUMMARY

Section 365.172, Florida Statutes, the Wireless Emergency Communications Act, provides for a Statewide emergency telephone system for wireless telephone users. Section 365.172(8)(a), Florida Statutes, authorizes wireless service providers (providers) to “collect a monthly fee imposed on each customer whose place of primary use is within this state. . . . The rate of the fee shall be 50 cents per month per each service number, beginning August 1, 1999.” The amounts collected are deposited in the Wireless Emergency Telephone System Fund (Fund) administered by the Department of Management Services¹ (DMS) and the Wireless 911 Board (Board).

Sections 11.45(2)(e) and 365.173(3), Florida Statutes, require the Auditor General to annually audit the Fund through the 2008-09 fiscal year. Our audit, covering the period July 2004 through June 2005 and selected actions taken through February 2006, disclosed that rural counties did not always submit quarterly reports to the Board, contrary to established procedures. A similar finding was included in our prior audit of the Fund.

BACKGROUND

Section 365.172(2), Florida Statutes, states that wireless service providers are required by the Federal Communications Commission (FCC) to provide wireless enhanced 911 (E911) service in the form of automatic location identification and automatic number identification pursuant to the terms and conditions set forth by the FCC. The intent of the Legislature was to establish and implement a comprehensive Statewide emergency telephone number system that will provide wireless telephone users

¹ Section 365.172, Florida Statutes, states that the State Technology Office (STO) is responsible for overseeing the administration of the E911 fee. However, effective July 1, 2005, the responsibilities of STO were assimilated by DMS.

with rapid direct access to public safety agencies by dialing 911, provide moneys to local governments to pay the cost of installing and operating wireless 911 systems, and reimburse providers for costs incurred to provide 911 or E911 services.

Further, it is the intent of the Legislature that a reasonable fee be levied on subscribers of wireless telephone service to accomplish these purposes. Section 365.172(8), Florida Statutes, authorizes providers to collect 50 cents per month for each service number of each customer whose place of primary use is within the State. The amounts collected are to be deposited in the Fund and are to be administered by DMS and the Board.

Section 365.172(9)(e), Florida Statutes, requires providers to remit fees to the Board within 60 days after the end of the month in which the fee was billed with a report of the number of wireless customers whose place of primary use is in each county. Section 365.172(9)(d), Florida Statutes, authorizes the providers to retain 1 percent of the fees collected as reimbursement for administrative costs. Revenues recorded in FLAIR for the Fund are shown in Table 1:

Table 1	
WIRELESS EMERGENCY TELEPHONE SYSTEM FUND REVENUES	
2004-05 FISCAL YEAR	
REVENUE TYPE	AMOUNT
E911 Fees	\$ 62,652,336
Interest Income	2,081,477
Total Revenues	\$ 64,733,813

The FCC requires wireless providers to implement E911 service in two phases as noted below:

- Phase I service allows a 911 operator to receive the telephone number of the wireless 911 caller and the location of the antenna that received the call. The Board’s *Annual Report (Report)* for the 2005 calendar year, dated February 28, 2006, stated that, as of December 31, 2005, 64 counties had requested Phase I service from the providers and 58 counties had implemented such service.
- Phase II service allows a 911 operator to receive the telephone number of the wireless 911 caller and, in most cases, identify the location of the caller within 50 to 100 meters. The Board’s *Report* stated that, as of December 31, 2005, 54 counties had requested Phase II service from the providers and 48 had implemented such service.

Section 365.172(2)(f)2., Florida Statutes, states that moneys will be provided to local governments to pay the cost of installing and operating wireless 911 systems and to reimburse providers for costs incurred to provide 911 or E911 services. The percentages utilized in distributing E911 moneys to the counties and providers are identified in Section 365.173(2), Florida Statutes.

Expenditures recorded in FLAIR for the Fund are shown in Table 2:

Table 2 WIRELESS EMERGENCY TELEPHONE SYSTEM FUND EXPENDITURES 2004-05 FISCAL YEAR	
EXPENDITURE TYPE	AMOUNT
Counties	\$ 24,945,948
Providers	26,086,168
Rural Counties	1,115,867
Administrative	437,265
Total Expenditures	\$ 52,585,248

The Board consists of six members appointed by the Governor and one member designated by the Secretary of DMS. Of the six members appointed by the Governor, three represent county 911 coordinators and three represent the wireless telecommunications industry. The member designated by the Secretary of DMS is a permanent member and also serves as the Chair of the Board. Responsibilities of the Board include:

- Receiving revenues derived from the fee;
- Distributing portions of the revenues to providers, counties, and DMS;
- Accounting for receipts, distributions, and income derived by the revenues maintained in the 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 wireless E911 services in the State.

Finding No. 1: Rural County Grant Reporting

In our prior audit (report No. 2005-177), we recommended that the Board take the necessary steps to ensure that counties receiving rural county grant moneys submit quarterly reports by the 15th of the month following the first quarter after the moneys were received, as required by Board procedures.

During the 2004-05 fiscal year, four counties that received rural county grant moneys totaling \$497,390 were required to submit quarterly reports. Our audit again disclosed that, in some instances, quarterly reports were not submitted.

The Board has now implemented procedures to provide reasonable assurance of timely reporting. These procedures include:

- Notifying counties of upcoming quarterly reporting due dates.
- Submitting copies of budget expenditure worksheets to the counties to assist in report preparation in order to expedite the reporting process.
- Contacting the counties to get verbal updates on the progress of the projects to determine what reporting assistance is needed or requested.
- Notifying the respective board of county commissioners if quarterly reports are not timely submitted.
- Continuing funding based on timely submission of quarterly reports.

Recommendation: We recommend that the Board continue its efforts to ensure that counties timely submit the quarterly reports.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of our operational audit of the Wireless Emergency Telephone System Fund 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 validity 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 validity and reliability of records and reports; and the safeguarding of assets.
- To determine whether DMS and the Board have corrected, or are in the process of correcting, all deficiencies disclosed in the prior audit (report No. 2005-177) for those activities, functions, and classes of transactions within the scope of audit.
- To identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

The scope of our audit included various aspects related to the administration of the Fund including: Board organization, financial reporting, revenues, and expenditures. In conducting our audit, we interviewed DMS and Board personnel, tested selected DMS and Board records, and completed various analyses and other procedures. Our audit included examinations of various

documents (as well as events and conditions) applicable to the period July 2004 through June 2005 and selected actions taken through February 2006.

The scope of our audit did not include county administration of E911 moneys. Such moneys are subject to examination in connection with the annual audits required pursuant to Section 218.39, Florida Statutes.

AUTHORITY

Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



William O. Monroe, CPA
Auditor General

MANAGEMENT RESPONSE

In a response letter dated June 6, 2006, the Secretary of the Department of Management Services concurred with our audit finding and recommendation. The Secretary's response is included in its entirety at the end of this report as Appendix A.

To promote accountability in government and improvement in government operations, the Auditor General makes operational audits of selected programs, activities, and functions of State agencies. This operational audit was made in accordance with applicable **Government Auditing Standards** issued by the Comptroller General of the United States. This audit was conducted by Tammy Williams, CPA, and supervised by Jane Johnston, CPA. Please address inquiries regarding this report to Dorothy R. Gilbert, CPA, Audit Manager, via e-mail (dorothygilbert@aud.state.fl.us) or by telephone (850-488-5444).

This report and other audit reports prepared by the Auditor General can be obtained on our Web site (<http://www.state.fl.us/audgen>); by telephone (850-487-9024); or by mail (G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450).

APPENDIX A

MANAGEMENT RESPONSE



DEPARTMENT OF MANAGEMENT SERVICES

"We serve those who serve Florida"

JEB BUSH Governor

Tom Lewis, Jr. Secretary



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June 6, 2006

Mr. William O. Monroe, CPA Auditor General Office of the Auditor General Claude Denson Pepper Building 111 West Madison Street Tallahassee, Florida 32301

Dear Mr. Monroe:

Pursuant to Section 11.45(4)(d), Florida Statutes, this is our response to your report, Department of Management Services, Wireless Emergency Telephone System Fund, for the Period July 2004 Through June 2005 and Selected Actions Taken Through February 2006. Our response corresponds with the order of your tentative and preliminary findings and recommendations contained in the draft report.

Finding No. 1: Rural County Grant Reporting

Rural Counties did not always submit quarterly reports to the Board, contrary to established procedures.

Recommendation:

The Auditor General recommends that the Board continue its efforts to ensure that counties timely submit the quarterly reports.

Response:

In its report, the Auditor General acknowledges that the Board has implemented procedures requiring that rural counties submit quarterly reports. The Board will continue to coordinate and work with the counties to ensure that quarterly reports are timely submitted.

If further information is needed concerning any of our responses, please contact Steve Rumph, Inspector General, at 488-5285.

Sincerely,

Handwritten signature of Tom Lewis, Jr.

Tom Lewis, Jr. Secretary

TL/taw

cc: Ken Granger, Deputy Secretary Department of Management Services