



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 2005 through June 2006 and selected actions taken through February 2007, disclosed the following:

Finding No. 1: DMS and the Board did not always comply with Florida Single Audit Act requirements.

Finding No. 2: The Board did not ensure that one rural county timely submitted a final grant report and the required expenditure documentation, contrary to Board procedures.

Finding No. 3: The Board did not always prepare minutes for Committee meetings and provide public notice of Board meetings, contrary to the provisions of law.

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.

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 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 was 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 the Florida Accounting Information Resource Subsystem (FLAIR) for the Fund are shown in Table 1:

Table 1 WIRELESS EMERGENCY TELEPHONE SYSTEM FUND REVENUES 2005-06 FISCAL YEAR	
REVENUE TYPE	AMOUNT
E911 Fees	\$ 71,068,746
Interest Income	2,299,680
Total Revenues	<u>\$ 73,368,426</u>

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 2006 calendar year, dated February 28, 2007, stated that, as of December 31, 2006, 67 counties had requested Phase I service from the providers and 66 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, 2006, 67 counties had requested Phase II service from the providers and 62 counties 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 providers to reimburse them for costs incurred to provide 911 or E911 services.

The amounts paid to local governments and to providers are to be based on the statutory rates established in Section 365.173, Florida Statutes, subject to modifications approved by the Board. Section 365.172(6)(a)4.d., Florida Statutes, authorizes the Board to implement changes to the allocation percentages provided in Section 365.173, Florida Statutes, or reduce the amount of the fee, or both, if necessary to ensure the full cost recovery or prevent overrecovery of costs incurred in the provision of E911 service, including costs incurred or projected to be incurred to comply with the order.

To assist all counties with the increasing costs of wireless 911 systems, alleviate the shortfall of funding within all counties, and take advantage of the decrease in anticipated provider reimbursement payments, the Board

changed the allocation percentages during the 2005-06 fiscal year as follows:

- 60 percent (formerly 44 percent) shall be distributed each month to counties based on the total number of wireless subscriber billing addresses in each county.
- 35 percent (formerly 54 percent) shall be distributed to providers in response to sworn invoices submitted to the Board. Up to 3 percent (formerly 2 percent) of the funds allocated to the providers shall be retained by the Board to be applied to costs and expenses incurred for the purposes of managing, administering, and overseeing the receipts and disbursements from the Fund.
- 5 percent (formerly 2 percent) shall be used to make monthly distributions to rural counties for the purpose of providing facilities and network/service enhancements/assistance for 911 or E911 systems and for the provision of reimbursable loans and grants to rural counties for upgrading 911 systems.

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

Table 2 WIRELESS EMERGENCY TELEPHONE SYSTEM FUND EXPENDITURES 2005-06 FISCAL YEAR	
EXPENDITURE TYPE	AMOUNT
Counties	\$ 48,597,006
Providers	20,084,434
Rural Counties	6,952,224
Administrative	<u>522,095</u>
Total Expenditures	<u>\$ 76,155,759</u>

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 from the balances 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.

FINDINGS AND RECOMMENDATIONS

Finding No. 1: Florida Single Audit Act

As noted in the **BACKGROUND** section of this report, the Board administers a rural county grant program and, during the audit period, the Board awarded 59 grants totaling \$6,449,741. Grant awards disbursed under this program represent State financial assistance as contemplated by the Florida Single Audit Act (FSAA), enacted by the Legislature to establish uniform State audit requirements for State Financial Assistance (SFA).

As required by the FSAA, the Department of Financial Services (DFS) provides guidance² related to the FSAA. Such guidance requires State agencies to provide the following:

- A *State Projects Compliance Supplement (Supplement)* to identify important compliance requirements that the State expects to be considered as part of the single audit.
- A *State Projects Matrix of Compliance Requirements* to identify the State projects and compliance requirements addressed by the *Supplement* and associate the projects with the applicable compliance requirements.
- A *Florida Single Audit Act State Project Determination Checklist* (Form DFS-A2-PD) to evaluate the applicability of the FSAA to a State program for inclusion in the Catalog of State Financial Assistance (CSFA).
- An *Annual Catalog of State Financial Assistance Agency Certification* to acknowledge the accuracy and completeness of its State projects included in the CSFA.

In fulfilling its FSAA responsibilities, DFS created in FLAIR a uniform coding structure to provide a means to readily identify and report the amount of SFA provided to each non-State entity. Such coding consists of two fields for State agencies to record the CSFA number and recipient type. DFS also established a standard object

code for SFA (750000 – State Financial Assistance). In addition, DFS provides examples of standard contract language that can be used to help communicate the SFA requirements to a non-State entity recipient.

Our audit of rural county grant disbursements disclosed the following:

- DMS had not completed a *Supplement*, a *State Projects Matrix of Compliance Requirements*, or an *Annual Catalog of State Financial Assistance Agency Certification*. Others, including independent auditors, rely on the information contained in these documents.
- DMS Financial Management Services had not separately identified SFA disbursements and non-SFA disbursements in FLAIR. All Board disbursements (service provider, county, and rural county grants) were coded under the standard object code for SFA, although some disbursements did not qualify as SFA. Improper usage of the uniform coding structure for SFA prevents DMS from accurately determining the amount of SFA provided to non-State entities, which in turn limits information for decision making. In addition, DFS personnel provide a service to non-State entities and their independent auditors by performing a query of FLAIR data based on the standard coding scheme. With DMS improperly using the coding scheme, the integrity of the amounts reported to non-State entities for their auditors is limited.
- In award documents that establish relationships with non-State entities, the Board had not communicated appropriate information needed by the entities to comply with the FSAA. Items not communicated included, for example, the standard State project number identifier, official title, and other FSAA requirements for monitoring, audits, and compliance requirements associated with the funding sources.

Recommendation: We recommend that DMS and the Board ensure compliance with Florida Single Audit Act requirements.

Finding No. 2: Rural County Grant Reporting

Section 365.173(2)(c), Florida Statutes, provides that 2 percent of the moneys in the Fund shall be used for the provision of grants and other assistance to rural counties for upgrading 911 systems. During the 2005-06 fiscal year, the Board increased this percentage from 2 to 5 percent enabling many of the rural counties to overcome budgetary shortfalls resulting from additional requirements placed on counties such as wireless mapping systems, required equipment upgrades, and

² Chapter 69I-5, Florida Administrative Code.

staffing for implementation of Phase I and Phase II wireless enhanced services in Florida.

In accordance with this law, the Board established an application process for rural counties to request funding from this allocation. Counties receiving rural county grant moneys during the 2004-05 fiscal year were required to submit quarterly reports to the Board by the 30th of the month following the first quarter after the grant moneys were received. In addition, a final report was due 45 days after the completion of the grant that detailed activities, expenditures, and how the objectives of the grant were met. Documentation of all expenditures was to accompany the final report.

In prior audits (report Nos. 2005-177 and 2006-192), we recommended that the Board take the necessary steps to ensure that counties receiving rural county grant moneys submit quarterly reports timely in accordance with Board procedures.

Nine counties received rural county grant moneys totaling \$736,927 during the 2004-05 fiscal year and were required to submit quarterly and final reports during the 2005-06 fiscal year. Our tests of the reports due from five of those nine counties disclosed that, although the required quarterly reports were received, one county receiving a \$191,088 award had not submitted a final report within 45 days after completion of the project, contrary to Board procedures. The project was completed on March 31, 2006, with the final report to be due on May 15, 2006. The county submitted the final report on July 20, 2006, or 66 days late. In addition, the required expenditure documentation that was to be filed with the final report was not received by the Board until October 26, 2006.

The timely submission of required reports provides the Board a mechanism for monitoring the counties' use of grant funds to ensure that grant funds are expended in compliance with applicable laws and guidelines.

Recommendation: We recommend that the Board continue its efforts to ensure that counties timely submit reports in accordance with Board procedures.

Finding No. 3: Board Minutes and Notification of Public Meetings

Florida's *Government-in-the-Sunshine Manual*, 2006 Edition, published by the Office of the Attorney General, and related Section 286.011, Florida Statutes, generally require that: (1) meetings of public boards must be open to the public; (2) reasonable notice of such meetings must be given; and (3) minutes of the meetings must be taken. With respect to notice requirements, Section 120.525(1), Florida Statutes, specifically requires notice of public meetings, hearings, and workshops by publication in the *Florida Administrative Weekly* not less than seven days before the event.

In a prior audit (report No. 2005-177), we recommended that the Board give notice of all public meetings as required by law. Our review of Board records again disclosed that, during the audit period, notice of Board meetings was not always published timely or at all in the *Florida Administrative Weekly*. Also, we noted that minutes were not always recorded. Specifically:

- The March 14, 2006, meeting was not advertised in the *Florida Administrative Weekly* and the January 5, 2006, meeting was advertised in the *Florida Administrative Weekly* on December 30, 2005, or six days before the first day of the scheduled meeting.
- The Board appointed five Board members to the Rural County Grant Committee for the purpose of reviewing rural county grant applications, presenting recommendations for grant awards to the Board for vote, and ensuring that all general conditions of the grants are met. We found that no meeting minutes documenting Committee actions and decisions during a January 5, 2006, workshop were prepared. Attorney General Advisory Legal Opinion No. 74-62 indicates that minutes required to be kept for workshop meetings are no different than those required for any other meeting of a public board or commission, including those provisions relating to the recording of minutes.

Recommendation: We recommend that reasonable public notice of all Board meetings be given as required by Section 120.525(1), Florida Statutes, and as outlined in the *Government-in-the-Sunshine Manual*. We also recommend that the Board take action to ensure that minutes of all meetings are prepared and maintained.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of our operational audit of the Wireless Emergency Telephone System Fund were:

- To evaluate the effectiveness of established 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, the deficiency disclosed in the prior audit (report No. 2006-192) 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: 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 2005 through June 2006 and selected actions taken through February 2007.

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 April 27, 2007, the Secretary of the Department of Management Services concurred with our audit findings and recommendations. 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 conducted in accordance with applicable **Generally Accepted Government Auditing Standards**. This audit was conducted by David Ulewicz and supervised by Christi Alexander, 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

Governor Charlie Crist
Secretary Linda H. South

Office of the Inspector General
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Tallahassee, Florida 32399-0950

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April 27, 2007

Mr. William O. Monroe, CPA
Auditor General
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

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 2005 Through June 2006 and Selected Actions Taken Through February 2007*. Our response corresponds with the order of your tentative and preliminary findings and recommendations contained in the draft report.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Linda H. South".

Linda H. South
Secretary

Attachment

cc: Terry Kester, Deputy Secretary
John Ford, Chairman Wireless 911 Board

APPENDIX A

MANAGEMENT RESPONSE (CONTINUED)

Mr. William Monroe
April 27, 2007
Attachment Page 1

**Department of Management Services' Response
To the Auditor Generals' Audit of the
Wireless Emergency Telephone System Fund**

Finding No. 1: Florida Single Audit Act

DMS and the Board did not always comply with Florida Single Audit Act Requirements.

- DMS had not completed a *Supplement, a State Projects Matrix of Compliance Requirements*, or an *Annual Catalog of State Financial Assistance Agency Certification*.
- DMS Financial Management Services had not separately identified State Financial Assistance (SFA) disbursements and non-SFA disbursements in FLAIR.
- In award documents that establish relationships with non-State entities, the Board had not communicated appropriate information needed by the entities to comply with the Florida Single Audit Act.

Recommendation:

We recommend that DMS and the Board ensure compliance with Florida Single Audit Act requirements.

Response:

DMS and the Wireless 911 Board will update the Agency Reporting Form for the State Projects Compliance Supplement and submit them to the Department of Financial Services (DFS) by May 18, 2007. In addition, DMS will submit annually to DFS the *Annual Catalog of State Financial Assistance Agency Certification*.

In the future, DMS will also separately identify State Financial Assistance from the other disbursements in the Wireless Emergency Telephone System Trust Fund. Additionally, the rural county grant award letter compliancy language was included in the 2007 Rural County Grant Award Letter and will be included in all future grant award letters.

Finding No. 2: Rural County Grant Reporting

The Board did not ensure that one rural county timely submitted a final grant report and the required expenditure documentation, contrary to Board procedures.

APPENDIX A

MANAGEMENT RESPONSE (CONTINUED)

Mr. William Monroe
April 27, 2007
Attachment Page 2

Recommendation:

We recommend that the Board continue its efforts to ensure that counties timely submit reports in accordance with Board procedures.

Response:

The Board will continue monitoring the rural county grant expenditures to assure that grant funds are expended in compliance with applicable laws and guidelines. While assuring 911 system operations and performance is the primary concern, timely submissions of the required reports is important and changes are currently being incorporated to the Rule 60DD-1, Florida Administrative Code, Rural County Grant to resolve timing issues.

The proposed changes include requiring the final grant expenditure report submittal to coincide with the quarterly report schedule. This will assist to eliminate any confusion on when the final report is due. In addition, the final documentation is to be provided within 90 days of the final report. This will provide the 911 Coordinators time to obtain copies of invoices and payment records from the finance or purchasing offices. This should provide sufficient time to obtain these records even when county budgets and audits are in progress. The anticipated completion date for this process is October, 2007.

Finding No. 3: Board Minutes and Notification of Public Meetings

The Board did not always prepare minutes for Committee meetings and provide public notice of Board meetings, contrary to the provisions of law.

Recommendation:

We recommend that reasonable public notice of all Board meetings be given as required by Section 120.525(1), Florida Statutes, and as outlined in the *Government-in-the-Sunshine Manual*. We also recommend that the Board take action to ensure that minutes of all meetings are prepared and maintained.

Response:

The Board concurs that reasonable public notice will be given to all future Board meetings as required by Section 120.525(1), Florida Statutes, as outlined in the *Government-in-the Sunshine manuals*. The Board also concurs that all future minutes of meetings and/or workshops will be prepared and maintained.