



9-1-1 SERVICES BOARD

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2017

Auditor of Public Accounts
Martha S. Mavredes, CPA

www.apa.virginia.gov

(804) 225-3350



AUDIT SUMMARY

Our audit of the 9-1-1 Services Board (Board) for the fiscal year ended June 30, 2017, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth's accounting and financial 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	6-8
Appendix A – Schedule of Financial Position	6
Appendix B – 9-1-1 Collection and Distribution Activity	7
Appendix C – Schedule of Activities	8

AGENCY HIGHLIGHTS

The 9-1-1 Services Board (Board) consists of 16 members, of which the Governor appoints 13 members, and the Director of the Virginia Department of Emergency Management, the State Chief Information Officer, and the State Comptroller serve as ex-officio members. The Board's responsibilities include planning, 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 9-1-1 special funds, including managing appropriations for enhanced wire-line emergency telecommunication services in local jurisdictions that currently do not have 9-1-1 capability. The Board employs 14 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. The Virginia Information Technologies Agency (VITA) provides administrative support to the Board.

Collection of Surcharge Fees

The revenue in the 9-1-1 Fund (Fund) is generated by a monthly surcharge of \$0.75 assessed to 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. As is noted in Appendix B below, collections by Taxation in fiscal year 2017 totaled \$59.3 million. The CMRS providers can retain three percent of the fee to cover their administrative costs. Upon collection, Taxation is responsible for distributing a portion of the Fund to PSAP operators and VITA on a monthly basis. PSAP operators receive 60 percent of total collections, less funds earmarked for distribution as directed in the Appropriation Act. Once the earmarked revenue is removed, it is transferred to VITA for further distribution to the appropriate agency. Taxation also 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.

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. Distributions are made from prior month collections. Payments to PSAP operators are based on a distribution formula that uses the call load and PSAP provider cost information that is updated by the Department of Taxation every five years. The distribution formula was most recently updated using data from fiscal years 2013 through 2018. Total distributions to PSAP operators were approximately \$28.1 million in fiscal year 2017, while total surcharge fees transferred to the Board by Tax totaled \$31.1 million for fiscal year 2017.

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 9-1-1 service. Carriers must submit to the Board, on or before December 31 of each year, their estimates of direct 9-1-1 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 \$5.8 million of the Fund to CMRS carriers for these purposes during fiscal year 2017.

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 9-1-1. Any Virginia primary PSAP operator that supports 9-1-1 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 PSAP Education Program
- \$3,000 per primary PSAP participating in a multi-jurisdictional project for the PSAP Education Program
- \$175,000 per primary PSAP participating in a shared services project
- \$500,000 for an initial physical consolidation project
- \$350,000 for a secondary physical consolidation of an already consolidated PSAP and an additional PSAP
- \$500,000 for a secondary physical consolidation of an already consolidated PSAP and two or more additional PSAPs
- \$150,000 for an individual primary PSAP participating in the Individual PSAP Program

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 2017, the Board paid \$7 million in PSAP grants.

The Board made transfers during fiscal year 2017 as required by the Appropriation Act, to include \$8 million to the Compensation Board to pass on to local law enforcement dispatchers; \$3.7 million to the State Police to offset dispatcher operating costs; 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 2017 is presented in Appendices A and C. The breakdown of the Fund's collection and distribution activity is presented in Appendix B.



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

August 24, 2018

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Thomas K. Norment, Jr.
Chairman, Joint Legislative Audit
and Review Commission

We have audited the financial records and operations of the **9-1-1 Services Board** for the year ended June 30, 2017. 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's accounting and financial 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, regulations, contracts and grant agreements. 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
Appropriations
Revenue collection
Accounts receivable collection
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's accounting and financial reporting systems and the Board's financial system. 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 August 24, 2018. 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

DLR/clj

9-1-1 SERVICES BOARD

As of June 30, 2017

Jeffrey Stern
Chairman

James Junkins
Vice Chairman

David Von Moll
Treasurer

Richard Clark
Terry Ellis
Danny Garrison
Dennis Hale
Kevin Hall
Robert Layman

Anthony McDowell
Jeffrey Merriman
Lehew Miller, III
Nelson Moe
Kathleen Seay
Jolena Young

**9-1-1 SERVICES BOARD
SCHEDULE OF FINANCIAL POSITION**

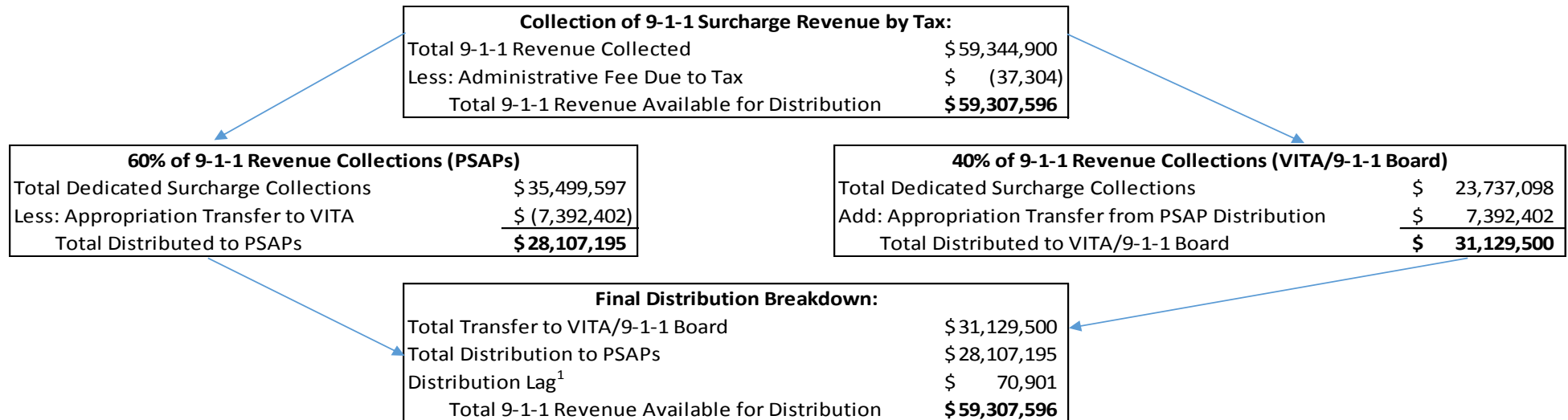
	For the Year Ending June 30, 2017	For the Year Ending June 30, 2016
Assets		
Cash with Treasurer of Virginia	\$17,612,681	\$15,243,563
Cash Equivalent with the Treasurer - Securities	-	96,955
Accounts receivable	<u>2,500,000</u>	<u>2,500,000</u>
Total assets	<u>20,112,681</u>	<u>17,840,518</u>
Obligations		
Accounts payable	578,707	443,605
Grant commitments (Note 1)	5,947,339	6,035,982
Capital reimbursement commitments (Note 2)	628,700	534,000
Accrued compensated absences	<u>136,417</u>	<u>135,975</u>
Total obligations	<u>7,291,163</u>	<u>7,149,562</u>
Net assets available	<u>\$12,821,518</u>	<u>\$10,690,956</u>

Source: The Board's 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.

FISCAL YEAR 2017 9-1-1 COLLECTION AND DISTRIBUTION ACTIVITY



¹ Based on the timing of collections and distributions of 9-1-1 funds by the Department of Taxation, there will be a variance between collections and distributions. This difference is due to collections, removal of administrative fees, and distributions occurring in separate months.

**9-1-1 SERVICES BOARD
SCHEDULE OF ACTIVITIES**

	For the Year Ending June 30, 2017	For the Year Ending June 30, 2016
Operating revenues		
CMRS fees	<u>\$31,129,500</u>	<u>\$30,472,740</u>
Total operating revenues	<u>31,129,500</u>	<u>30,472,740</u>
Operating expenses		
Personal expenses	1,499,636	1,454,438
Contractual services	1,001,496	454,405
Supplies and materials	7,259	21,569
Rent, insurance and other related	3,376	40,627
Expendable equipment/improvements	283,354	8,008
CMRS capital reimbursements	5,823,869	6,727,332
PSAP grant expenses	<u>7,040,053</u>	<u>7,036,479</u>
Total operating expenses	<u>15,659,043</u>	<u>15,742,858</u>
Operating gain	15,470,457	14,729,882
Non -operating revenues (expenses)		
Interest	145,237	88,078
Securities lending expenses	<u>(104)</u>	<u>(812)</u>
Non-operating revenues, net	<u>145,133</u>	<u>87,266</u>
Transfers		
Transfers to other state agencies	(13,450,000)	(13,450,000)
Transfers to Commonwealth's General Fund	<u>(35,028)</u>	<u>-</u>
Total Transfers	<u>(13,485,028)</u>	<u>(13,450,000)</u>
Increase (decrease) in net assets	<u>2,130,562</u>	<u>1,367,148</u>
Total net assets available, July 1	<u>10,690,956</u>	<u>9,309,808</u>
Retained earnings adjustment	<u>-</u>	<u>14,000</u>
Total net assets available, June 30	<u>\$12,821,518</u>	<u>\$10,690,956</u>

Source: The Board's financial system