



DEPARTMENT OF
EMERGENCY MANAGEMENT
WIRELESS E-911 FUND

REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2021

Auditor of Public Accounts

Staci A. Henshaw, CPA

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AUDIT SUMMARY

In July 2020, the Department of Emergency Management (Emergency Management) assumed responsibility for administering the Wireless E-911 Fund (Fund) from the Virginia Information Technologies Agency (VITA). Shortly after the transition, Emergency Management's leadership requested the Auditor of Public Accounts perform an audit of the Fund, as mandated by § 56-484.17(F) of the Code of Virginia. The primary objectives of the audit were to ensure proper recording and reporting of transactions in the Commonwealth's accounting and financial reporting system and other financial information submitted for the Fund and to test internal controls and compliance with applicable laws and regulations governing the Fund. Our audit of the Fund for the fiscal year ended June 30, 2021, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth's accounting and financial reporting system and other financial information submitted to the Department of Accounts (Accounts);
- 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.

We also performed audit procedures to assess the effectiveness, economy, and efficiency of the Fund's operations. During our audit, we identified opportunities for improvement in the Fund's operations that we communicated to Emergency Management leadership, which are described in more detail in the report section titled "Audit Results." To improve the Fund's operations, we recommend Emergency Management leadership:

- request modifications to the Appropriation Act (Act) to reflect current operations;
- integrate grants management functions within Emergency Management; and
- promote sharing of financial data between Emergency Management's Public Safety Communications Division (Public Safety Communications) and its Financial Management Bureau (Financial Management).

Emergency Management recognizes these areas as risks to the Fund's operations and has dedicated the resources to implement improvements.

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INTRODUCTION

The purpose of the Wireless E-911 Fund (Fund) is to support the Commonwealth's enhanced 911 network, which allows first responders to locate users of a mobile phone when they place an emergency call. During fiscal year 2021, the Commonwealth collected nearly \$67 million in wireless E-911 surcharges (surcharges). Additionally, the Commonwealth spent approximately \$47 million from the Fund to support the Commonwealth's Next Generation 9-1-1 (NG9-1-1) initiative. NG9-1-1 is a nationwide initiative to enhance emergency number services allowing for the transmission and reception of voice and data-rich information such as text messages that includes photos or videos.

The Commonwealth is used in reference to the Fund because it is administered by several state agencies. The Department of Emergency Management (Emergency Management) serves as the lead agency for the administration of the Fund and Emergency Management's State Coordinator serves as the Chairman of the 9-1-1 Services Board (Board). Further, the Department of Taxation (Taxation) collects surcharges and sets the distribution amounts to Public Safety Answering Points (PSAP) or local governments. The Department of Accounts (Accounts) distributes monies to the PSAPs based on information provided by Taxation. Finally, Virginia State Police (State Police) and the Compensation Board receive funding for dispatch center operations at both the state and local levels.

Objectives:

The objectives of this audit are to:

- evaluate the accuracy of transactions as recorded in the Commonwealth's accounting and financial reporting system and through other financial information submitted to Accounts;
- review the adequacy of the Fund's internal controls;
- test compliance with applicable laws, regulations, contracts, and grant agreements governing the Fund; and
- assess the effectiveness, economy, and efficiency of the Fund's operations.

Scope and Methodology:

Our audit covers the Fund's significant financial activity for fiscal year 2021. We tested compliance over the Fund's operations by comparing the Fund's financial activity to the provisions set forth within the Appropriation Act (Act) and Code of Virginia. Additionally, we tested internal controls by comparing the Fund's financial activity to the Commonwealth's Accounting Policies and Procedures (CAPP) Manual, the Commonwealth's Information Security Standard, SEC 501 (Security Standard), and Emergency Management's NG9-1-1 Funding and PSAP Grant Program Guidelines.

We used a nonstatistical sampling approach to test the Fund's transactions. 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.

BACKGROUND

During the 2020 General Assembly session, the General Assembly passed legislation to transfer programmatic and fiduciary responsibilities for the Fund from Virginia Information Technologies Agency (VITA) to Emergency Management. Additionally, this legislation established the Public Safety Communications Division (Public Safety Communications) within Emergency Management. Public Safety Communications is responsible for administering the Fund and provides staff support to the Board and encourages, promotes, and assists in the development and deployment of statewide enhanced emergency telecommunications systems. Public Safety Communications reports directly to Emergency Management's Chief Deputy State Coordinator and is led by a Public Safety Communications Coordinator.

The purpose of the Fund is to support the Commonwealth's enhanced 911 network, which allows first responders to locate users of a mobile phone when they place an emergency call. The Board establishes the direction of the Fund and is made up of 13 members appointed by the Governor, as well as the Emergency Management's State Coordinator, the Commonwealth's Comptroller, and the Commonwealth's Chief Information Officer. Emergency Management's State Coordinator serves as the Chairman of the Board.

Collection of Surcharge Fees

The revenue in the Fund is generated by a monthly surcharge of \$0.75 for each wireless cell phone and \$0.50 for each prepaid wireless cell phone in the Commonwealth. Taxation is responsible for the collection of the surcharges from Commercial Mobile Radio Service (CMRS) providers. Surcharge fee collections at Taxation totaled approximately \$67 million during the period under review. During the audit, we projected annual revenue collections using population data from the U.S. Census Bureau and statistical information for mobile phone ownership obtained from reliable industry sources. We found that our estimate was materially consistent with the revenue collection amounts reported in the Commonwealth's accounting and financial reporting system.

Distribution of Surcharge Fees

Recurring Payments to PSAPs

Section 56-484.17(C) of the Code of Virginia requires that 60 percent of the Fund's surcharge collections be distributed monthly to the PSAPs according to each PSAP's average pro rata distribution. Taxation is responsible for calculating the average pro rata distribution and is required to recalculate the distribution percentage for each PSAP every five fiscal years using population and call load data. Accounts is responsible for processing monthly payments to the PSAPs in the Commonwealth's accounting and financial reporting system based on information provided by Taxation. Recurring payments to PSAPs amounted to approximately \$32.7 million during the period under review. We performed audit procedures, using data from the Commonwealth's accounting and financial reporting

system, to confirm that monthly recurring payments to PSAPs were proportionate and recalculated once every five years as required by the Code of Virginia.

Mandatory Transfers Per the Act

The Act requires Emergency Management to distribute surcharge fees to other state agencies to carry out the Fund's activities. During the period under review, Emergency Management transferred \$8 million to the Compensation Board to support local law enforcement dispatchers and \$3.7 million to State Police to offset dispatcher operating costs. We performed audit procedures, using data from the Commonwealth's accounting and financial reporting system, to confirm that Emergency Management made the transfers required by the Act. Additionally, we used data from the Commonwealth's accounting and financial reporting system to confirm that the Compensation Board's and State Police's expenses were consistent with the Act.

Contractual Service Payments

The County of Fairfax and City of Virginia Beach hold contracts with AT&T Business (AT&T) to implement NG9-1-1 services in the Commonwealth. The County of Fairfax and City of Virginia Beach have allowed all other PSAPs in the Commonwealth to participate in these contracts and Emergency Management has assumed contract management responsibilities with AT&T. Contractual service payments to AT&T amounted to approximately \$7.8 million during the period under review. We performed audit procedures to confirm that Emergency Management complied with the contract management provisions in the Department of General Services' Agency Procurement and Surplus Property Manual.

PSAP Grant Program Payments

Emergency Management administers several grant programs to provide additional funding to PSAPs in support of the NG9-1-1 initiative. The most prevalent grant program is the NG9-1-1 Migration Program. The purpose of this program is to provide funding for NG9-1-1 migration expenses to PSAPs throughout the Board established deployment period. The grant award amount is based on the analysis contained in the NG9-1-1 Migration Proposal, which is prepared by each PSAP and AT&T. PSAP grant program payments to PSAPs amounted to approximately \$6.3 million during the period under review. We performed audit procedures to confirm that Emergency Management administered the NG9-1-1 Migration Program in accordance with the Board-approved NG9-1-1 Funding and PSAP Grant Program Guidelines. To date, the Board has awarded over \$62 million in grant funding to the NG9-1-1 rollout and anticipates the work being completed in 2023.

Payroll Expenses

Item 414.20B of the Act gives Emergency Management the authority to fund salaries of Public Safety Communications' employees using proceeds from the Fund. During the period under review, payroll expenses amounted to approximately \$1.6 million. We performed audit procedures, using data from the Commonwealth's accounting and financial reporting system and the Commonwealth's payroll

system, to confirm that Emergency Management only supported Public Safety Communication employee salaries with proceeds from the Fund.

Information System Security

Emergency Management uses the Commonwealth's accounting and financial reporting system to account for the Fund's financial activity. The Board and Emergency Management leadership uses information from this system and other sources to make decisions about the Fund's current and future operations. We tested information system security controls governing the Commonwealth's accounting and financial reporting system at Emergency Management to confirm that they were maintained in accordance with the Security Standard, published by VITA, and Topic 70220 of the CAPP Manual, published by Accounts.

AUDIT RESULTS

Emergency Management's mission is to protect the lives and property of Virginia's citizens and visitors from emergencies and disasters by coordinating the Commonwealth's emergency preparedness mitigation, response, and recovery efforts. To achieve its mission, Emergency Management administers numerous state and federal grant programs in conjunction with its state and local government and non-profit partners. Emergency Management has a mature system of internal control over these state and federal grant programs to ensure they operate as designed.

Because of Emergency Management's involvement in the Commonwealth's response to the pandemic, Emergency Management leadership was unable to fully integrate the Public Safety Communications' grants management activities governing the Fund into its existing organizational model. Without incorporating the grants management activities governing the Fund into Emergency Management's existing system of internal controls and processes for state and federal grant programs, there is the risk that the Fund may not operate as intended and possibly incur operational inefficiencies. Because of this risk, Emergency Management's leadership engaged external parties, including the Auditor of Public Accounts, to examine the Fund's operations and identify opportunities for improvement.

Although Emergency Management's leadership is aware of these challenges and is researching and actively pursuing corrective actions, during the audit we noted additional opportunities to strengthen the Fund's operations that we highlight below.

Request Modifications to the Appropriation Act to Reflect Current Operations

Item 414.10(D) of the 2021 Special Session I Acts of Assembly mandates Emergency Management to transfer \$1.8 million in fiscal years 2021 and 2022 from the Fund to the Virginia Geographic Information Network (VGIN), or its counterpart, to provide for the development and use of spatial data to support E-911 wireless activities in partnership with Enhanced Emergency Communications Services. VGIN is now located within Public Safety Communications, along with the Fund, and Emergency Management maintains the appropriation for each of these funds. Despite the Act requiring this transfer, Emergency Management did not make this transfer because the VGIN fund balance initially transferred from VITA to Emergency Management to support VGIN activities was sufficient to cover fiscal year 2021 operating expenses. Through our audit, we determined that Emergency Management not transferring the appropriation and subsequent cash did not adversely affect VGIN operating activities.

Recommendation 1:

Public Safety Communications now oversees the Fund and VGIN's operations. As a result, Emergency Management leadership has the ability to review the Fund's and VGIN's operations collectively and propose legislative changes as necessary. Mandated transfer amounts in the Act have remained consistent for several years and have outpaced VGIN's expenses. Emergency Management leadership is evaluating the necessity of future transfers and conferring with the Department of Planning and Budget (Planning and Budget) and applicable legislative committees to update language in the Act

to appropriately reflect the current operations of the Fund and VGIN. Emergency Management leadership should continue to work with Planning and Budget and the legislative committees to update the mandatory transfer provision in future versions of the Act to ensure they appropriately reflect the Fund and VGIN's operating activities.

Integrate Grants Management Functions Within Emergency Management

The grants management function for the Fund is separate from the remainder of Emergency Management's grant functions. Additionally, the level of technology for the two grants management functions differs significantly. For example, Public Safety Communications accounts for the Fund's activities through a series of manually updated spreadsheets, whereas Emergency Management manages its other grants through an electronic grants management system.

Recommendation 2:

Emergency Management leadership should continue to identify ways to integrate grants management functions within the agency. Doing so will help Emergency Management ensure that it is taking advantage of an established and mature system of internal controls and processes over grants management. Emergency Management is exploring the possibility of acquiring a new grants management system for state funded grants and is considering integrating the Fund into the new grants management system. Additionally, Emergency Management is looking at a coordinated approach for monitoring sub-grantees since many of its sub-grantees receive funding from various grants at Emergency Management. Integrating monitoring efforts between the Fund and other grant programs could help Emergency Management more easily demonstrate that it complied with § 56-484.17 of the Code of Virginia, which requires that Emergency Management, in consultation with the Board, develop a schedule for audits of grant funding received by all recipients to ensure the recipient utilized the funding in accordance with the grant requirements.

Promote Sharing of Financial Data Between Public Safety Communications and Emergency Management's Financial Management Bureau (Financial Management)

While Financial Management does process Fund payments in the Commonwealth's accounting and financial reporting system, it does not have access to many of the programmatic documents needed for reporting in the Commonwealth's Annual Comprehensive Financial Report, including fund and commitment reporting. Financial Management is responsible for managing Emergency Management's fiscal operations and is responsible for the short and long-term priorities of the agency. Public Safety Communications maintains all programmatic files on an internal site that Financial Management personnel cannot access. As a result, Public Safety Communication staff have had to prepare and submit this information to the Department of Accounts. Providing Financial Management personnel with access to the accounting and programmatic records is critical to ensuring the longevity of the Fund.

Recommendation 3:

Emergency Management leadership should continue to identify ways to promote sharing of financial data between Public Safety Communications and Financial Management. To strengthen the Fund's financial operations, Emergency Management leadership has dedicated a fiscal resource from Financial Management to the Fund and is considering incorporating the Fund's activity into its state grants management system, if acquired. Sharing financial data between Public Safety Communications and Financial Management will allow for more collaboration and provide a better picture as to the Fund's overall financial operations.



Commonwealth of Virginia

Auditor of Public Accounts

Staci A. Henshaw, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

February 22, 2023

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

We have audited the **Department of Emergency Management's** (Emergency Management) administration of the Wireless E-911 Fund (Fund) and are pleased to submit our report titled "Department of Emergency Management Wireless E-911 Fund Report on Audit for the year ended June 30, 2021." 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.

Conclusion:

Our audit of the Emergency Management's administration of the Fund, for the fiscal year ended June 30, 2021, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth's accounting and financial reporting system and other financial information submitted to the Department of Accounts;
- 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.

Although our audit did not identify any instances of non-compliance or internal control deficiencies necessary to bring to management's attention, we did identify the following areas for improvement to strengthen the Fund's operations for Emergency Management leadership's consideration. We recommend Emergency Management:

- request modifications to the Appropriation Act to reflect current operations;
- integrate grants management functions within Emergency Management; and
- promote sharing of financial data between the Public Safety Communications Division and its Financial Management Bureau.

Exit Conference and Report Distribution

We discussed this report with management on March 17, 2023. Management’s response to the findings identified in our audit is included in the section titled “Agency Response.” We did not audit management’s response and, accordingly, we express no opinion on it.

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.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

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COMMONWEALTH OF VIRGINIA

Department of Emergency Management

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SHAWN G. TALMADGE
State Coordinator of
Emergency Management

MICHELLE T. OBLINSKY
Acting Chief Deputy
State Coordinator of
Emergency Management

March 31, 2023

Ms. Staci A. Henshaw, CPA
Auditors of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218

RE: Audit of Emergency Management's Administration of the Wireless E-911 Fund

Dear Ms. Henshaw:

The Department of Emergency Management has reviewed the Auditor of Public Accounts (APA) report pertaining to the Audit of Emergency Management's Administration of the Wireless E-911 Fund. We agree with the three recommendations titled:

1. Request Modifications to the Appropriation Act to Reflect Current Operation
2. Integrate grants management functions within Emergency Management
3. Promote sharing of financial data between Public Safety Communications and Emergency Management's Financial Management Bureau (Financial Management)

Combined with actions already taken and currently under way, the Department's objective to comply with applicable laws and regulations will serve to strengthen and control our operations and financial records.

Please let me know if you have any questions regarding the response.

Sincerely,

A handwritten signature in black ink that reads "Shawn Talmadge".

Shawn Talmadge
State Coordinator

Cc: Cheryl Adkins, Virginia Department of Emergency Management
Mike Sidell, Auditor of Public Accounts

9-1-1 Services Board

As of June 30, 2021

Curtis Brown
Chairman

Sheriff Kevin Hall
Vice Chairman

David Von Moll
Treasurer

Mary Blowe
Capt. Thomas Bradshaw
Gary Critzer
Terry Ellis
R. Scott Garber
Danny Garrison

Pete Hatcher
Jeffrey Merriman
Nelson Moe
Shawn Talmadge
Col. Kelvin Wright
Jolena Young