



pennsylvania
EMERGENCY MANAGEMENT AGENCY

BUREAU OF 9-1-1

REGULATORY REPORT FORMAT FOR 9-1-1 FUND AUDITS

**Prepared by the Bureau of 9-1-1
Pennsylvania Emergency Management Agency
Effective December 1, 2009***

**Revision 1 - July 9, 2010
*Revision 2 - April 21, 2011**

PROGRAM INTRODUCTION

Chapter 53, Emergency Telephone Service, of Title 35 of the Pennsylvania Consolidated Statutes (35 Pa. C.S.A. §§ 5301-5312) and 4 Pennsylvania Code, Chapter 120b, provide for a statewide emergency telephone number 9-1-1 system.

Chapter 53 of Title 35 provides for three separate funding streams; one from wireline phone subscribers, which is remitted directly to the counties or cities (as defined in 35 Pa. C.S.A. § 5304(c)), the second from wireless phone subscribers, which is remitted to the State and then distributed to the counties and cities from the State following guidelines outlined in Chapter 53, and the third from interconnected voice over internet protocol (VoIP) which is remitted to either the State or county at the service provider's discretion.

4 PA Code Chapter 120b.111(e) and 35 Pa. C.S.A. §§ 5308(d) and 5311.5(e), require triennial audits of expenditures for non-recurring and recurring costs incurred in the establishment, upgrading, expansion and operation of 9-1-1 emergency communications systems paid from wireline, VoIP and wireless revenues. The audit costs are to be paid by the county or city and included as an eligible cost of the 9-1-1 program.

This regulatory report format for 9-1-1 fund audits is prepared to assist counties and cities and their auditors in complying with the 9-1-1 legislative and regulatory requirements cited herein. This report is also intended to assist auditors in planning such audits to meet U.S. generally accepted audit standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Note: All references cited refer to 4 Pennsylvania Code, Chapter 120b Public Safety Emergency Telephone Program and Chapter 53, Emergency Telephone Service, of Title 35 of the Pennsylvania Consolidated Statutes (35 Pa. C.S.A. §§ 5301-5312).

These can be downloaded from the PEMA website at <http://www.pema.state.pa.us>.

PROGRAM AUDIT OBJECTIVE

The audit must determine whether the county administers revenues and expenditures of the 9-1-1 system in accordance with the provisions of:

1. 4 Pennsylvania Code, Chapter 120b.111 *Administration of contribution rate*
2. 4 Pennsylvania Code, Chapter 120b.106 *Eligible costs:*
 - (b)(1) Non-recurring cost
 - (b)(2) Recurring cost
 - (c) Ineligible cost
3. The PSAP Funding Eligibility List which can be found at <http://www.pema.state.pa.us> published by the PEMA Bureau of 9-1-1.

In regard to a county's requirement to separately account for and report 9-1-1 monies and the collections/disbursements of same:

35 Pa. C.S.A. §5307 Collection and disbursement of contribution - provides that *"the county treasurer or, in a home rule county, the county official responsible for the collection and disbursement of funds shall deposit the moneys received in an interest-bearing restricted account used solely for the purpose of nonrecurring and recurring charges billed for the 911 system..."*

REPORTED SIGNIFICANT DEFICIENCIES OR MATERIAL WEAKNESSES

It is county/city management's responsibility to develop a written corrective action plan for any significant deficiencies or material weaknesses reported as part of the 9-1-1 triennial audit. It is mandatory that written corrective action plans be submitted to the Bureau of 9-1-1, concurrently with the triennial audit, for each significant deficiency or material weakness. It is the auditor's responsibility to evaluate whether the audited entity has taken appropriate corrective action to address any findings and recommendations from the prior audit.

QUALIFICATION OF AUDITORS

As the 9-1-1 triennial audit is to be performed under both U.S. generally accepted auditing standards and the U.S. Government Accountability Office (GAO) standards for financial audits, auditors performing the 9-1-1 triennial audit are required by these standards to be enrolled in a qualified external peer review program.

Auditors must be able to document that they have successfully passed a qualified external peer review prior to commencing the 9-1-1 triennial audit. The Bureau of 9-1-1 reserves the right to request an auditor's peer review report covering the triennial period. The Bureau retains the right to reject audits from auditors or audit organizations that, if requested, do not provide documentation of successful participation in a qualified peer review program.

REPORT SUBMISSION DATE

Counties and cities are required to submit two copies of their triennial audit report to the Bureau of 9-1-1, Pennsylvania Emergency Management Agency. Reports are to be submitted no later than September 28th of the year following the county or city triennial period.

REPORT CONTENT AND FORMAT

Counties and cities must have a separate program audit performed on the 9-1-1 fund. Counties and cities may not elect to have the 9-1-1 fund audited as a supplement to the yearly Single Audit. The audits must be conducted in accordance with the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States in effect for the audit period.

The report is required to be in the format presented as Exhibit A, with separate wireline/VoIP and wireless statements prepared presenting each year of the triennial reporting period.

Auditor opinion language should conform to the American Institute of Certified Public Accountants (AICPA) standards in effect for the report date. The audit opinion language used in the example (Exhibit A) is taken from the special reports standards (AU Section 623) issued by the AICPA and has been modified to include reference to the *Government Auditing Standards* and to the 9-1-1 fund.

The eligible expenditure categories presented on the special purpose statements in Exhibit A are suggestive, but not mandatory. The eligible expenditure categories presented may vary by county or city. However, eligible total salaries/benefits/training of (1) not greater than 70% of the contribution rate revenue for wireline/VoIP effort and (2) not greater than 70% of the Commonwealth's disbursements of wireless funds, which a county/city receives during the Commonwealth's fiscal year regarding wireless effort, is a required breakout; as are each of the revenue components presented in the financial statements in Exhibit A.

The five footnote disclosures illustrated in Exhibit A are required. Additional footnote disclosures shall not be included.

The example regulatory statements are presented on the full accrual basis of accounting and are provided for illustrative purposes only. In recognition that some counties account for their 9-1-1 fund as a special revenue fund (i.e. use the modified accrual basis of accounting) and others use the account for their 9-1-1 fund as a proprietary fund (i.e. use the full accrual basis of accounting) counties may elect to prepare the regulatory statements on either the modified accrual, or full accrual basis of accounting depending on the basis of accounting they use for accounting and reporting their 9-1-1 Fund activity. Other accounting/reporting basis – such as the cash basis – for recognizing/reporting revenues and expenditures/expenses are not permitted. The basis of accounting used (modified accrual or full accrual) should be described in Note 2 to the regulatory financial statements.

EXHIBIT A - REGULATORY REPORT FORMAT FOR 9-1-1 FUND AUDITS

Independent Auditor's Report

County Commissioners
Example County, Pennsylvania

We have audited the accompanying wireline/VoIP and wireless statements of revenues and expenditures – regulatory basis (the “financial statements”) of the 9-1-1 Fund of Example County, Pennsylvania for the years ended December 31, 2009, 2008 and 2007. These financial statements are the responsibility of Example County management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinions.

The basis of presentation is another comprehensive basis of accounting other than U.S. generally accepted accounting principles and is not intended to be a complete presentation of the entity's revenues and expenses. As described more fully in Note 2, Example County prepares its financial statements in accordance with the regulatory guidelines established by the Pennsylvania Emergency Management Agency in accordance with accounting practices prescribed by 4 Pennsylvania Code, Chapter 120b and 35 Pa. C.S.A. § 5311.5(e), which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, the financial statements referred to above present fairly, in all material respects, the revenues and expenses (“expenditures” *if reporting on the modified accrual basis of accounting*) of Chapter 53 of Title 35 of Example County for the years ended December 31, 2009, 2008 and 2007, in accordance with the basis of accounting described in Note 2.

This report is intended solely for the information and use of the County Commissioners, management, others within the county government, the Pennsylvania Emergency Management Agency and the Pennsylvania Public Utility Commission and is not intended to be and should not be used by anyone other than these specified parties.

[Signature]

[Date]

EXHIBIT A - REGULATORY REPORT FORMAT FOR 9-1-1 FUND AUDITS

**EXAMPLE COUNTY, PENNSYLVANIA
WIRELINE/VoIP 9-1-1 FUND
STATEMENTS OF REVENUES AND EXPENDITURES - REGULATORY BASIS**

	Year ended December 31,		
	2009	2008	2007
Beginning balance, January 1	\$ (966,461)	\$ (1,019,117)	\$ (978,321)
Revenues:			
Wireline fees	838,870	852,012	873,112
VoIP - Commonwealth	519,820	40,672	—
VoIP - County	89,053	9,786	—
Interest	3,129	3,100	3,420
Other revenues	675	675	650
Total revenues	<u>1,451,547</u>	<u>906,245</u>	<u>877,182</u>
Total beginning balance and revenues	<u>485,086</u>	<u>(112,872)</u>	<u>(101,139)</u>
Eligible expenditures:			
Salaries/wages	810,736	505,383	488,943
Fringe benefits	200,657	125,082	121,013
Training costs	2,027	1,263	1,222
Salary/fringes/training total	<u>1,013,420</u>	<u>631,729</u>	<u>611,178</u>
Telephone and line charges	131,325	127,500	123,786
Leased equipment	99,277	96,385	93,578
Contracted maintenance	37,980	36,874	35,800
Material and supplies	24,839	24,115	23,413
Tower rental/maintenance	46,034	44,693	43,391
Administrative fee	24,676	13,508	12,849
Other allowable expenditures	88,333	85,760	83,262
Bond interest - eligible	186,234	200,032	212,087
Depreciation - eligible equipment	<u>507,783</u>	<u>492,993</u>	<u>478,634</u>
Total eligible expenditures	<u>2,159,900</u>	<u>1,753,589</u>	<u>1,717,978</u>
Transfer from General Fund for operational deficit	<u>1,000,000</u>	<u>900,000</u>	<u>800,000</u>
Ending balance, December 31	\$ <u>(674,816)</u>	\$ <u>(966,461)</u>	\$ <u>(1,019,117)</u>

EXHIBIT A - REGULATORY REPORT FORMAT FOR 9-1-1 FUND AUDITS

**EXAMPLE COUNTY, PENNSYLVANIA
WIRELESS 9-1-1 FUND
STATEMENTS OF REVENUES AND EXPENDITURES - REGULATORY BASIS**

	Year ended December 31,		
	2009	2008	2007
Beginning balance, January 1	\$ <u>(1,067,406)</u>	\$ <u>(406,208)</u>	\$ <u>—</u>
Revenues:			
Wireless surcharge grant	2,355,846	917,654	179,268
Interest	<u>3,478</u>	<u>3,224</u>	<u>2</u>
Total revenues	<u>2,359,324</u>	<u>920,878</u>	<u>179,270</u>
Total beginning balance and revenues	<u>1,291,918</u>	<u>514,670</u>	<u>179,270</u>
Eligible expenditures:			
Salary/fringes/training	353,377	339,532	125,488
ANI/ALI database	57,678	52,300	53,000
Connectivity	24,221	23,999	23,079
Trunking/facilities	6,000	6,000	6,000
Customer Premise Equipment (CPE)	4,788	4,824	4,738
Maintenance and repair	34,663	43,883	45,783
GIS/mapping	93,671	125,465	83,021
Computer Aided Dispatch (CAD)	63,480	72,786	68,078
Depreciation - eligible equipment	<u>957,300</u>	<u>913,287</u>	<u>223,991</u>
Total eligible expenditures	1,595,178	1,582,076	588,478
Transfer from General Fund for operational deficit	<u>—</u>	<u>—</u>	<u>—</u>
Ending balance, December 31	\$ <u><u>(303,260)</u></u>	\$ <u><u>(1,067,406)</u></u>	\$ <u><u>(406,208)</u></u>

EXHIBIT A - REPORT FORMAT FOR 9-1-1 FUND AUDITS

EXAMPLE COUNTY, PENNSYLVANIA

9-1-1 FUND

Notes to 9-1-1 Fund

Years ended December 31, 2009, 2008 and 2007

1) Program description

Example County, Pennsylvania (the "County") provides emergency 9-1-1 telephone service to its residents. In accordance with Chapter 53 of Title 35, the County collects a contribution rate, approved by the Pennsylvania Public Utility Commission, of \$1.25 per wireline telephone access line through various telephone companies. Additionally, a monthly fee is assessed upon each wireless service customer for each wireless two-way communication device for which that customer is charged by a wireless provider for wireless service at a fee of \$1.00 per month per device. These fees are remitted directly to the Commonwealth. VoIP is collected by the provider and remitted directly to the county in which the subscriber resides or is collected and remitted to the Commonwealth to be disbursed back to the county of the subscriber. In either case, the monies collected go directly to the county in which the subscriber resides for payment of recurring and nonrecurring costs associated with implementing, expanding, upgrading, and operating the County's Emergency 9-1-1 Communications system.

2) Basis of presentation

The regulatory statements of Example County's Chapter 53 Program were prepared to comply with Chapter 53, Emergency Telephone Service, of Title 35 of the Pennsylvania Consolidated Statutes (35 Pa. C.S.A. §§ 5301-5312), and 4 Pennsylvania Code, Chapter 120b, and Pennsylvania Emergency Management Agency's Regulatory Report Format for Audits of 9-1-1 Funds, which is a comprehensive basis of accounting other than generally accepted accounting principles.

These statements were prepared on the full accrual basis of accounting. Under the full accrual basis of accounting, revenues are recognized when earned. Expenditures are recognized when incurred. [Describe modified basis instead, if the 9-1-1 fund is accounted and reported as a special revenue fund.]

This presentation differs from a presentation in accordance with U.S. generally accepted accounting principles for governments as it excludes required disclosures such as a presentation of assets, liabilities, and other financial statement elements and excludes required footnote disclosures, such as deposits, capital assets, capital and operating leases, debt and other disclosures.

3) Revenue recognition

Example County accounts for and recognizes revenue on the accrual basis. Wireline revenue is recognized in the period the \$1.25 wireline contribution rate is collected on the county's behalf, regardless of when remitted with appropriate accrual of wireline fees receivable made at year-end.

Wireless surcharge grant revenue from the Commonwealth is recognized by the County in a period (1) to the extent that Example County has incurred eligible wireless expenditures within the year but only to the extent of PEMA's reimbursement percentage for such expenditures, and (2) in regard to retro wireless costs, to the extent Example County has received approval for the reimbursement of retro costs which have been incurred in prior years in its E9-1-1 Funding Application. Wireless revenue is recognized in the 1st year of award (for example in 2008 for the Commonwealth's 2008/2009 award period) but only to the extent of the Commonwealth's reimbursement percentage for such expenditures.

Voice over Internet Protocol (VoIP) revenues are recognized as revenues by the County in the period they are collected by the VoIP provider. As VoIP revenue is remitted to the County in a subsequent month, VoIP receivables are recorded in the period.

4) Administrative fees and limitations on recovery of certain recurring cost

Section 120b.106 of PA Code 120b provides for the 9-1-1 contribution rate to be used for specified recurring and non-recurring costs associated with implementing, expanding, upgrading, and operating 9-1-1 emergency communications systems. The Code limits recovery of certain recurring costs as follows:

Section 120b.106(2)(ii) – Telephone company administrative costs for billing and collection of the wireline contribution rate are limited to a maximum of 2% of the wireline contribution rate monies collected.

- During 2009 such costs totaled \$17,120 or 2 % of the contribution rate monies collected.
- During 2008 such costs totaled \$17,388 or 2% of the contribution rate monies collected.
- During 2007 such costs totaled \$17,819 or 2% of the contribution rate monies collected.

Section 120b.106(2)(iii) – County costs for the administration of the wireline contribution rate are limited of a maximum of 1% of the wireline gross receipts collected by the county.

- During 2009 such costs totaled \$8,473 or 1% of the gross receipts collected.
- During 2008 such costs totaled \$8,606 or 1% of the gross receipts collected.
- During 2007 such costs totaled \$8,819 or 1% of the gross receipts collected.

Section 120b.106(2)(vii) – Personnel salary, training and benefits costs directly related to the provision of 9-1-1 services are subject to a maximum of 70% of the wireline contribution rate revenue (Surcharge funds collected by the county). The sum of the funds applied to personnel salary, training and benefits cannot exceed 100% of the total cost of personnel salary, training and benefits

- During 2009 such costs totaled \$1,013,420 or 70% of the wireline contribution rate.
- During 2008 such costs totaled \$631,729 or 70% of the wireline contribution rate.
- During 2007 such costs totaled \$611,178 or 70% of the wireline contribution rate.

35 Pa. C.S.A. § 5308.(B)(3) provides that no more than 70% of the wireless disbursements which a county/city receives from the Commonwealth during the Commonwealth's fiscal year may be utilized to fund personnel salary, training and benefit costs.

- During 2009 such costs totaled \$353,377 or 15% of 2009 wireless receipts.

- During 2008 such costs totaled \$339,532 or 37% of 2008 wireless receipts.
- During 2007 such costs totaled \$125,488 or 70% of 2007 wireless receipts.

35 Pa. C.S.A. §5311.14(A)(5) - As reimbursement for administrative costs, VoIP providers are allowed to retain 2% of total fees collected if remitted directly to the county, or up to 1% if remitted to the Commonwealth. The Commonwealth may then retain up to 1% of the VoIP remittances received for administrative costs.

- During 2009 such costs totaled \$12,426 or 2% of VoIP remittances.
- During 2008 such costs totaled \$ 172 or 2% of VoIP remittances.
- During 2007 no such costs were incurred.

5) Wireless surcharge grant remittances

Example County received the following remittances of wireless surcharge funding from the Commonwealth during the triennial reporting period:

<u>Received</u>	<u>Amount</u>
January 2007	\$ 25,125
April 2007	\$ 25,125
July 2007	\$ 64,509
October 2007	\$ 64,509
January 2008	\$ 64,509
April 2008	\$ 64,509
July 2008	\$394,318
October 2008	\$394,318
January 2009	\$394,318
April 2009	\$394,318
July 2009	\$783,605
October 2009	\$783,605

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

County Commissioners

County of Example, Pennsylvania

We have audited the accompanying financial statements of the Public Safety Emergency Telephone Act Program of the County of Example, Pennsylvania for the years ended December 31, 2009, 2008, and 2007 and have issued our report thereon dated [Date]. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the county's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the county's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the county's financial statements of the Chapter 53 Program are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the County Commissioners, management, others within the organization, the Pennsylvania Emergency Management Agency, and the Pennsylvania Public Utility Commission and is not intended to be and should not be used by anyone other than these specified parties.

[Signature]

[Date]