

INTERNAL AUDIT REPORT

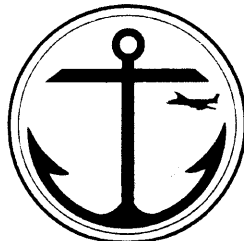
2011-11

Enhanced 911 Surcharge

Anchorage Police Department

September 13, 2011

MUNICIPALITY OF ANCHORAGE
Internal Audit Department
632 W 6th Avenue, Suite 600
P.O. Box 196650
Anchorage, Alaska 99519-6650
<http://www.muni.org/audit>



OFFICE OF THE INTERNAL AUDITOR
Peter Raiskums, CIA, CFE, CGFM
Director
Phone: (907) 343-4438
Fax: (907) 343-4370
E-Mail: raiskumspw@muni.org

MUNICIPALITY OF ANCHORAGE



Office of the Internal Auditor
632 W. 6th Ave.. Suite 600

Phone: 907-343-4438
Fax: 907-343-4370

Mayor Dan Sullivan

September 13, 2011

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2011-11, Enhanced 911 Surcharge, Anchorage Police Department** for your review. A brief summary of the report is presented below.

In accordance with the 2011 Audit Plan, we have completed an audit of the Enhanced 911 Surcharge. The objective of this audit was to determine whether the Enhanced 911 surcharge revenue was used for eligible expenses according to the Anchorage Municipal Code and the Alaska State Statutes. As part of this audit we reviewed Enhanced 911 expenses at both the Anchorage Police Department and the Anchorage Fire Department. We also compared expenses to revenue to determine whether the \$1.50 surcharge is appropriate.

Based on our review, we determined that Enhanced 911 surcharge revenue has not always been used to pay for eligible expenses. For example, some communication costs charged to the Enhanced 911 revenue may not be appropriate because they were not for the maintenance or operation of the Enhanced 911 system. In addition, Enhanced 911 revenue left over at year end was closed out to fund balance instead of reserved to cover allowable Enhanced 911 expenses. Finally, our audit revealed that the current \$1.50 surcharge may be excessive since revenue in each of the last four years has exceeded costs.

There were three findings in connection with this audit. Management was generally responsive to the findings and recommendations.

A handwritten signature in black ink, appearing to read "Peter Raiskums".

Peter Raiskums, CIA, CFE
Director, Internal Audit

MUNICIPALITY OF ANCHORAGE



Office of the Internal Auditor
632 W. 6th Ave.. Suite 600

Phone: 907-343-4438
Fax: 907-343-4370

Mayor Dan Sullivan

September 13, 2011

Internal Audit Report 2011-11 Enhanced 911 Surcharge Anchorage Police Department

Introduction. The Enhanced 911 (E-911) surcharge was established in 1993 to fund the E-911 system. The E-911 system is a telephone system consisting of network, database, and E-911 equipment that uses the single three-digit number “911” for reporting a police, fire, medical or other emergency situations. The system includes the personnel required to acquire, install, operate and maintain the system. All calls are received at the Anchorage Police Department (APD) dispatch center and are forwarded to the Anchorage Fire Department (AFD) dispatch center if they involve medical or fire emergencies. A surcharge of \$1.50 per month is collected per local access line and for each wireless telephone number that is billed or sold to customers with an address within the Municipality of Anchorage (Municipality) to fund the E-911 system. The purpose of the surcharge is to cover expenses incurred in the operation, maintenance and upgrade of the E-911 system.

The E-911 surcharge is collected each month from customers by the telecommunication companies. The telecommunication companies report and submit the collected surcharge to the Municipality’s Treasury Division monthly. At the end of first quarter 2011, there were 27 telecommunication companies submitting E-911 surcharge collections to the Municipality totaling \$1,729,202. In 2010 E-911 surcharge collections totaled \$6,968,480.

Objective and Scope. The objective of this audit was to determine whether the E-911 surcharge revenue was used for eligible expenses according to the Anchorage Municipal Code (AMC) and the Alaska State Statutes. As part of this audit we reviewed E-911 expenses at both APD and AFD. We also compared expenses to revenue to determine whether the \$1.50 surcharge is appropriate.

The audit was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review, and accordingly, included tests of accounting records and such other auditing procedures as we considered necessary in the circumstances. The audit was performed during the period of June through July 2011. The audit was requested by Administration.

Overall Evaluation. E-911 surcharge revenue has not always been used to pay for eligible expenses. For example, some communication costs charged to the E-911 revenue may not be appropriate because they were not for the maintenance or operation of the E-911 system. In addition, E-911 revenue left over at year end was closed out to fund balance instead of reserved to cover allowable E-911 expenses. Finally, our audit revealed that the current \$1.50 surcharge may be excessive since revenue in each of the last four years has exceeded costs.

FINDINGS AND RECOMMENDATIONS

1. Some Costs Charged to E-911 Revenue Questionable.

- a. Finding.** Some costs charged to the E-911 revenue may not be appropriate because they were not for the maintenance or operation of the E-911 system. For example, in 2010 APD charged \$79,280 and AFD charged \$62,472 of their communication expenses against E-911 revenues. However, some of these charges, shown below, do not appear to be appropriate:

- Non-emergency business phone lines
- Cellular phone services
- Internet services

- Long distance charges
- Mobile internet
- Satellite phone services
- Pagers, radios, and other telecommunication services and devices

According to Alaska Statute (AS) 29.35.131.i, *911 surcharge*, “A municipality may only use the enhanced 911 surcharge revenue for those costs of the enhanced 911 system . . . The surcharge revenue may not be used for any capital or operational costs for emergency responses that occur after the call is dispatched to the emergency responder.” Furthermore, it states that the E-911 surcharge revenue can only be used if “. . . the costs are directly attributable to the establishment, maintenance, and operation of an enhanced 911 system.”

- b. Recommendation.** Enhanced 911 revenue should only be used for costs directly attributable to the establishment, maintenance, and operation of an E-911 system.
- c. Management Comments.** Management concurred and stated, “The APD management agrees that E-911 revenue should only be used for costs stemming from the purchase, lease or contract for any enhanced 911 equipment or services required to establish, maintain, or upgrade an enhanced 911 system at public safety answering points...[AMC26.65.040]. Alaska Statute clarifies even more:

“Sec.29.35.131.i, 911 surcharge

- (1) “the acquisition, implementation, and maintenance of public safety answering point equipment and 911 service features;

- (2) “the acquisition, installation, and maintenance of other equipment, including call answering equipment, call transfer equipment, automatic number identification controllers and displays, automatic location identification controllers and displays, station instruments, 911 telecommunications systems, teleprinters, logging recorders, instant playback recorders, telephone devices for the deaf, public safety answering point backup power systems, consoles, automatic call distributors, and hardware and software interfaces for computer-aided dispatch systems;
- (3) “the salaries and associated expenses for 911 call takers for that portion of time spent taking and transferring 911 calls;
- (4) “training costs for public safety answering point call takers in the proper methods and techniques used in taking and transferring 911 calls;
- (5) “expenses required to develop and maintain all information necessary to properly inform call takers as to location address, type of emergency, and other information directly relevant to the 911 call taking and transferring function, including automatic location identification and automatic number identification databases.

“We explain how ‘. . . the costs are directly attributable to the establishment, maintenance, and operation of an enhanced 911 system.’ For the indicated items, thus:

- “Non-emergency business phone lines - many of the non-emergency business phone lines are in place for specifically for 9-1-1 purposes –ALL of our ring down lines (AFD, AFD Urgent, Palmer, Matcom, Soldotna, Merrill Tower, Airport PD are used to communicate with other PSAPs regarding 9-1-1 calls

and related issues. Also consoles must have non-emergency phone lines to recall 9-1-1 disconnects/abandoned calls because those calls do not remain on the 9-1-1 line, however this would only include business phones in use in the Communications Center.

- “Cellular phone services - we use cell phones to text back and forth with callers when they are waiting for search and rescue and we need to conserve battery life.
- “Long distance charges – a number of our 9-1-1 disconnects/abandoned calls are from long distance wireless and VoIP accounts and require long distance service to recall them.

“The following items, however, we agree do not fit the restrictions of the statute or ordinance.

- Internet services
- Mobile internet
- Satellite phone services
- Pagers, radios, and other telecommunication services and devices.”

d. **Evaluation of Management Comments.** Management comments were generally responsive to the audit finding and recommendation.

2. **E-911 Surcharge Revenue Not Restricted at Year End.**

a. **Finding.** E-911 revenue left over at year end was closed out to fund balance instead of reserved to cover allowable E-911 expenses. Our review of financial records for

2007 through 2010 revealed that each year the revenue collected has exceeded costs charged against the revenue as follows:

**E-911 Surcharge Revenue
Year-End Balance
2007-2010**

| <u>Year</u> | <u>Unspent Revenue</u> | <u>Surcharge Rate</u> |
|-------------|------------------------|-----------------------|
| 2007 | \$ 349,485 | \$1.50 |
| 2008 | \$ 19,808 | \$1.50 |
| 2009 | \$ 1,011,916 | \$1.50 |
| 2010 | \$ <u>1,648,739</u> | \$1.50 |
| Total: | \$ <u>3,029,948</u> | |

Source: Office of Management and Budget

Alaska Statutes specify that E-911 surcharge revenue may be used only for those costs of the E-911 system. Including left over revenue in fund balance does not restrict this revenue to only qualified costs.

- b. Recommendation.** The Controller should ensure that E-911 revenues are restricted to only costs of the E-911 system.

c. **Management Comments.**

1. **Controller.** Management concurred and stated, “In regards to your audit of E911 surcharge, the controller concurs that revenues should be restricted to costs for the 911 system as set out in the State Statute.”
2. **APD.** Management concurred and stated, “The APD Management concurs with findings and recommendations.”

d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

3. **Surcharge May Require Adjustment.**

- a. **Finding.** Our audit revealed that the current \$1.50 surcharge may be excessive since revenue in each of the last four years has exceeded costs. In addition, we identified some costs charged that did not relate to the E-911 system. According to AMC 26.65.075, *Annual review*, “The chief of police and fire chief shall annually, in conjunction with the office of management of budget, and in connection with preparation of the municipal budget, review the revenues generated from the surcharge and the expenses incurred for operation, maintenance, and upgrade of the enhanced 911 system to determine whether the level of surcharge is adequate, excessive or insufficient to meet the enhanced 911 system needs. The chief of police and fire chief shall recommend, to the assembly, such adjustments in the surcharge as the analysis indicates are required to meet the enhanced 911 system needs.”

- b. **Recommendation.** APD and AFD, in conjunction with the Office of Management and Budget, should consider revising the E-911 surcharge to match allowable costs.
- c. **Management Comments.** Management concurred and stated, “The management of APD concurs with the need for annual review for effective management and maintenance of the system, however, excess funds at the end of a fiscal year, in and by itself does not indicate an excessive charge. Best practices in budget management projects future needs and sets aside funds to meet those needs in a manner that does not cause ‘emergency’ style fixes.
- (1) “Consoles or work stations which need replacement about every 10 years. The last ones purchased were \$18,000 each
 - i. Seven (7) in main room
 - ii. Five (5) in training room
 - iii. Ten (10) in EOC
 - (2) “Carpeting in the Communications Center which gets 24/7 use, replacement needed every 10-12 years. The last replacement in 2008 cost approx \$40,000
 - (3) “Computers have a replacement cycle of about 3 years and each console must be fully equipped.
 - (4) “Computer software has a replacement cycle of about 5 years. Projects that will be coming up in the next 5 years include replacement or upgrade of the current VESTA system, a new mapping system since GeoComm will stop supporting our current system GeoLynx soon, and replacement or upgrade of the CAD system.

“Excess funds at year end should be ‘banked’ for these future purchases to prevent the annual increase in surcharge that would be necessary to meet these expenses in the years that they occur.”

- d. **Evaluation of Management Comments.** Management comments were generally responsive to the audit finding and recommendation.

Discussion With Responsible Officials. The results of this audit were discussed with appropriate Municipal officials on August 1, 2011.

Audit Staff:
Jayi Schin