

# Kentucky Office of Homeland Security (KOHS)

Office of the Governor, Matthew G. Bevin

## **911 Services Board**

### **Lessons Learned from PSAP Financial Reviews**

### **KESC Conference**

### **September 3, 2019**

**Kentucky Office of Homeland Security**

Executive Director John Holiday

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John W. Holiday, Homeland Security Advisor



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# Session Panelists

- Mike Sunseri, KOHS Deputy Director/911 Services Board Administrator
- Christie Ross, KY 911 Services Board Chief Operations Officer

John W. Holiday, Homeland Security Advisor



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# During this session, you will learn:

- Kentucky statutes and regulations that govern PSAP spending
- Importance of the mandatory annual PSAP survey
- How to prepare for PSAP financial reviews
- Lessons learned from this year's financial review, examples of finding reports

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## All PSAPs

### KRS 65.760 (4)

- All revenues raised from any special tax, license, or fee levied under subsection (3) of this section shall be expended only as provided in this subsection and only to the extent that the expenditure is **directly attributable** to the establishment, operation, or maintenance of a PSAP, the delivery of 911 emergency services, or the provision of wireless enhanced 911 services.

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## Certified PSAPs

# 202 KAR 6:090 Permitted uses by PSAPs for CMRS funds

- Section 2. Allocation of CMRS Funds.
- (1) **Wireless only costs. CMRS funds may be expended for costs** which are solely for the provision of enhanced 911 service **involving calls from wireless consumers.**
- (2) **Wireline and wireless-shared costs.** Costs for personnel, equipment, or facilities which are necessarily shared by calls to 911 from wireline and wireless users **shall be prorated** based on the percentage of call traffic attributed to calls from wireless users. CMRS funds may be used only for the wireless prorated portion.



# 202 KAR 6:090 Permitted uses by PSAPs for CMRS funds

- Section 3. Allowed 911 Center Operational Expenditures. (1) Personnel costs. Costs for the following employees, **to the extent their duties are directly attributable to delivery of 911 service**, shall be allowed.
  - Personnel
  - Facility costs
  - Training and memberships
  - Hardware, software and peripheral equipment
  - Vehicle costs
  - Professional services
  - Public education

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# 202 KAR 6:090 Permitted uses by PSAPs for CMRS funds

- Section 4. Not Allowed 911 Center Operational Expenses.
    - (1) Personnel costs. Personnel costs for... personnel shall not be allowed, **except when directly functioning as 911 center staff.**
    - (2) Facility costs. Facility costs ...shall not be allowed, **except for that portion used for 911 operations.**
    - (3) Training and memberships... for staff **not directly involved in the delivery of 911 services** or courses whose content is not intended to increase of the knowledge, skills, and abilities of 911 personnel in regard to delivery of 911 service.
- Hardware software, and peripheral equipment; vehicle costs; professional services; public education: **not directly attributable to the delivery of 911 services.**



# Reporting requirements

**KRS 65.7630** Gathering and reporting information regarding 911 emergency communications funding and costs -- Annual report to board by agencies and providers –**PSAP SURVEY**

- **Section 3:** PSAPs shall provide at least the following information to the board each fiscal year:
  - (a) The amount of revenue available or budgeted for 911 services from the following sources:
    - 1. The state general fund;
    - 2. CMRS funds received through the distribution formula under KRS 65.7631;
    - 3. City and county general funds.





# Reporting requirements

- 4. CMRS grant funds
- 5. Other grant funds and their sources; and
- 6. Any other funds received for 911 service and their sources; and
- (b) How the revenue described in this paragraph was spent by the PSAPs.

(5) Each local governmental agency, state governmental agency, or wireless or wireline provider of technology capable of transmitting voice traffic for an emergency 911 request to a **PSAP that fails to provide the information required by this section shall not be eligible to receive distributions of state funds from the CMRS Board.**



# Preparing for Financial Reviews

Kentucky Auditor of Public Accounts  
Mike...

John W. Holiday, Homeland Security Advisor

Auditor of Public Accounts



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# Objectives

- What are the statutory audit requirements?
- How are these requirements met?
- What should I expect during an audit or AUP?

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# Audit requirements by statute

- KRS 65.7629(13). Audit once every 24 months the books of the 911 Services Board, providers, and PSAPs eligible to request or receive disbursements from the CMRS fund
  - Verify accuracy of collections, receipts, and disbursements of revenues from CMRS service charges.
  - Verify accuracy of the number of wireless 911 calls received by each PSAP eligible to request or receive disbursement.
  - Determine whether revenues generated by the CMRS service charge equals, exceeds, or are less than costs incurred to comply with the FCC order.
  - Verify the accuracy of CMRS customer count information reported to the 911 Services Board by providers.

# Statutory audit requirements for PSAPs

- Agreed Upon Procedures Engagement
  - Performed every 2 years, but due to lapses in meeting this requirement, a catch up engagement is required. Each carrier and PSAP will have individual results reported.
    - Half of PSAPs will be subject to a catch up AUP for FYs 2016-2018. These procedures began in early 2019. The next AUP would then be for FYs 2019 and 2020, performed in early 2021.
    - The remaining half of PSAPs will be subject to a catch up AUP for FYs 2017-2019. These procedures are expected to begin in early 2020. The next AUP would then be for FYs 2020 and 2021, performed in early 2022.



# What to Expect During the AUP

- Contact begins with a call or email from the auditor.
- Schedule time for an onsite visit.
- Auditor needs a primary contact for audit requests.
- Auditor will make a preliminary request for information. This will not be everything they need.

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# What to Expect During the AUP (cont.)

## General Questions:

- Did the PSAP's receive any CMRS grants or expend any CMRS grant funds during fiscal years 2017, 2018, and 2019?
  - If yes, can you explain how those receipts and expenditures are identified in the general ledgers?
  - Also, can you provide any applicable grant agreement or agreements?
- Does your organization prorate expenditures according to the number of wireless calls received by the center? **(#1 issue with PSAP Findings this year)**
- Are CMRS funds exclusively used for personnel costs without being prorated?
- Can we trace CMRS receipts to CMRS expenditures in the ledgers? **(#2 issue Co-Mingling of funds)**



# What to Expect During the AUP (cont.)

- Once on-site, the auditor will:
  - Conduct interviews with personnel with direct knowledge of your processes and accounting practices.
  - Request supporting documentation for a sample of transactions. Verify the serial numbers for grant purchased equipment.
  - Perform additional inquiry as needed.
  - May request additional information needed for analysis or to help assess compliance.





# What to Expect During the AUP(cont.)

- Remember: Auditors arrive after the fiscal year is already over. You can't modify those records after the fact. But, be aware of situations that happened during the period under review that may warrant additional explanation.
- Ensure your records are complete, well organized, available, and filed in a way that makes them easy to locate.
- Understand the compliance requirements in both the statute and regulation.
- Talk openly to the auditor. If there were situations that needed to be handled differently during the year, let them know the situation and the reasons why.
- Auditors will let you know of any discrepancies, and you will have an opportunity to locate additional information or provide more explanation.





# What was reviewed in this year's financial review?

- Compare PSAP's self-reported annual survey revenues , the revenues paid by the Board, the PSAP's internally-generated financial records.
- Verify a sample of expenditures from the PSAP's detailed general ledger was properly authorized, had proper supporting documentation, was accurately records in the PSAP's accounting system, verify the amount expensed for allowable personnel costs met or exceeded the amount of CMRS funds received by the PSAP.
- Review personnel files to ensure the activities performed by the position are allowable for compensation by CMRS funds and for the delivery of 911 services.

# What was reviewed in this year's financial review(cont.)?

- Review two quarterly call traffic reports per fiscal year of PSAP's wireless and non-wireless 911 calls while confirming the method used to tabulate calls and the method used to prorate expenses based on call volume. No exceptions will be reported when the PSAP's method of prorating expenses is less than the percentage allowable based on call volume.
- Select up to a maximum of three physical inventory items whose cost exceeds \$5,000 per fiscal year purchased with CMRS funds to confirm the equipment exists, is allowable, and is tracked by the PSAP.

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# AUP Report Card

PSAP	Grade	Finding Report
	<p>A+</p>	<p>No Exceptions, Funds balance, Survey balances, Prorating of Expenses, Grant funds properly purchased equipment with documentation, expenses for delivery of 911 services!</p>
	<p>B+</p>	<p>Funds balance, Survey balances, Grant funds used properly, did not prorate expenses for all 3 years however total allowable personnel costs exceeded the amount of CMRS funds received each year.</p>
	<p>C</p>	<p>Funds balance, Survey does not balance, co-mingled funds, did not prorate expenses for all 3 years however total allowable personnel costs exceeded the amount of CMRS funds received each year, grant payment lacks documentation.</p>
	<p>Needs Improvement</p>	<p>Funds do not balance, survey does not balance, does not prorate, co-mingled funds cannot verify if personnel costs exceed the amount of CMRS funds received each year, grant purchase documentation not found.</p>

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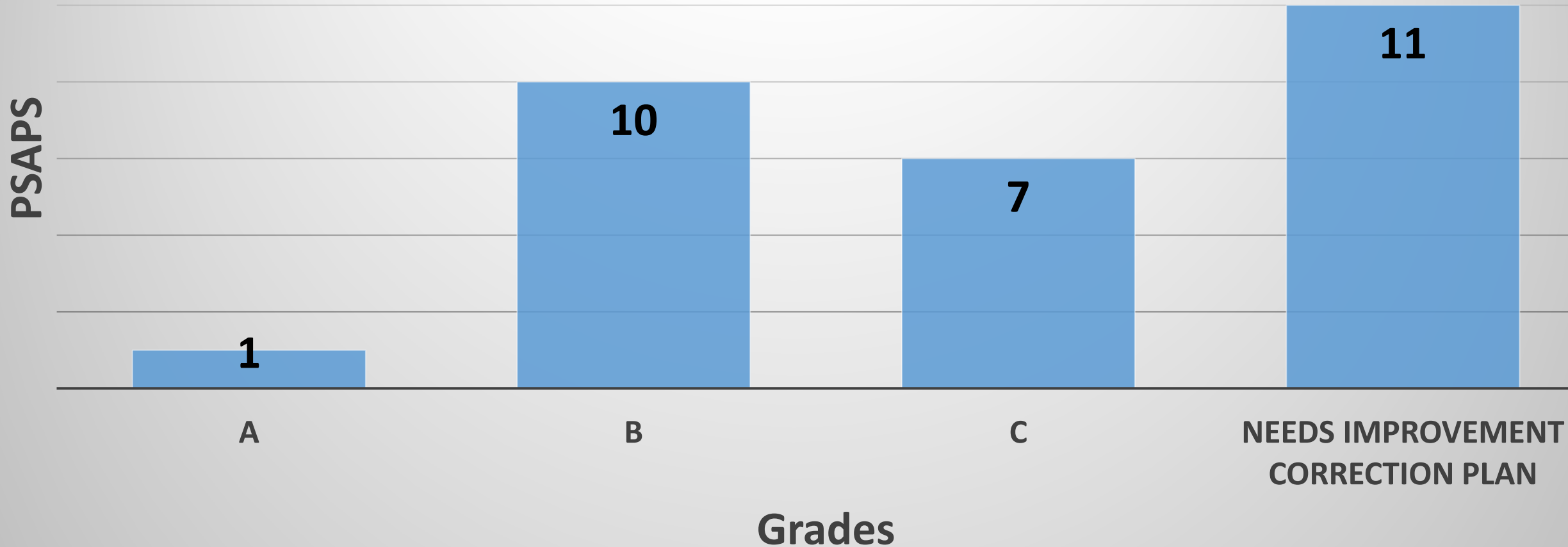


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# AUP Finding Results Summary



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# Sample of Auditor's initial email request:

In accordance with the AUP, your site has been selected as one of the 58 sites to be reviewed by the APA. In an effort to make the AUP process run as smoothly as possible, the APA is requesting that all Fiscal Officers electronically submit the following information prior to our staff arriving onsite. If possible, please have this information submitted to us by Thursday, March 14, 2018.

1. From your accounting system, a copy of the General Ledger, including all transaction detail and a summary Trial Balance that contains all fiscal year (FY) 2016, 2017 and 2018 receipts and expenses for the 911 PSAP center relating to CMRS funds. This financial information will be compared to the PSAP Self-Reported Survey submitted annually to the Board via electronic submission.



# Sample of Auditor's initial email request (cont.)

2. If the names of the expenditure categories used in your accounting system differ from those used in the KY 911 electronic submission, then please provide a reconciliation or crosswalk to clearly explain how to take the information from your accounting system to the reports electronically submitted to the Board.
3. A list of personnel whose salaries were funded with CMRS funds, including their titles, for FY 2016, 2017, and 2018.
4. The PSAP's quarterly call traffic reports for FY 2016, 2017, and 2018 that were submitted to the Board, including the documented method used by the PSAP to allocate expenses to the CMRS fund for wireless calls.





# Sample of Auditor's initial email request (cont.):

5. The PSAP's inventory and equipment reports for FY 2016, 2017, and 2018.

In addition, once we arrive onsite to conduct the fieldwork, please make available for our review, all invoices, receipts, bills, and any other documentation to support the FY 2016 – FY 2018 expenses selected for review. You will be contacted prior to our arrival with the transactions selected for review.



Initial financial review Lessons Learned:

**Avoid co-mingling of 911 Services Board revenue, PSAP local wireline fees and grant payments with general or other funds.**

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## Procedure -

- Test the lesser of 20% of non-personnel expenditures or 20 transactions per fiscal year, from the PSAP's detailed general ledger in order to verify the expenditure was properly authorized, had proper supporting documentation, was accurately recorded in the PSAP's accounting system, was made between July 1, 2015 and June 30, 2018, and was reasonable and allowable in fulfilling the objectives of the Commercial Mobile Radio Service (CMRS) fund and/or the grant award agreement between the Board and the PSAP. **PSAPs are required to prove CMRS funds were used for allowable expenses per 202 KAR 6:090.** In situations where CMRS funds are not traceable to specific expenditures, **verify the amount expensed for allowable personnel costs met or exceeded the amount of CMRS funds received by the PSAP.**



## Finding

Procedures could not be performed on non-personnel expenditures for FY 2016, 2017, or 2018. Once the CMRS funds were received, the funds were comingled with other funds. The PSAP did not account for the funds in such a way that permitted expenditures to directly link to CMRS funds. Thus, it was not possible to differentiate between expenditures of CMRS funds and non-CMRS funds. The PSAP did not receive CMRS grants for FY 2016 or 2018, so the procedure was not applicable in relation to these grant funds. No exceptions were noted for the FY 2017 grant fund.

However, total allowable personnel costs exceeded the amount of CMRS funds received by the PSAP for each fiscal year. These costs would have been reasonable and allowable under the objectives of the fund. The annual amounts of CMRS receipts compared to personnel costs are:

Fiscal Year	CMRS Receipts per PSAP's Accounting Records*	Total PSAP Personnel Costs	Percent CMRS Receipts to Personnel Costs
2016	\$101,738	\$180,507	56.4%
2017	\$123,881	\$208,549	59.4%
2018	\$162,754	\$213,605	76.2%

\* Excluding grant funds.



# Proration of Expenses based on Call Volume:



Danville/Boyle County 911

The only PSAP to prorate expenses per current report findings.

Finding -

No exceptions were found as a result of applying the procedure for FY 2016, 2017, or 2018. The PSAP did not receive CMRS grants for any of the fiscal years, so the procedure was not applicable in relation to grant funds.

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## Procedure -

Review personnel files related to personnel expenditures charged to CMRS funds up to a maximum of five staff per fiscal year employed by the PSAP between July 1, 2015 and June 30, 2018, to ensure the activities performed by the position are allowable for compensation by CMRS funds and for the delivery of 911 services.

## Finding -

The procedures entailed ensuring the employee title/position was allowable; the job description and duties were attributable to the delivery of 911 service; documentation of hours worked was maintained; and expenditures were prorated and only CMRS funds were used for wireless costs. No exceptions were noted in FY 2016, 2017, or 2018 related to allowable employees and hours worked. The procedure related to prorating expenditures could not be performed for FY 2016, 2017, or 2018 because expenditures were not prorated per KAR 202 6:090.

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# Initial financial review Lessons Learned (cont.):

## Procedure -

Compare the PSAP's annual self-reported survey revenues, submitted to the Board, to the PSAP's internally-generated financial records to determine whether the PSAP's accounting records support the annual reported revenue amounts. For purposes of performing this agreed-upon procedure, no exceptions will be reported for differences of \$125 or less.

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Fiscal Year	911 Service Board Report (including grant funds awarded)	PSAP Accounting Records	Difference Between PSAP Records and Board Report	PSAP Self-Reporting Survey	Difference Between PSAP Survey and Board Report	Explanation of Differences
2016	\$ 108,391	\$ 108,391	\$ 0	\$ 98,391	(\$ 10,000)	PSAP did not correctly report the total amounts.
2017	\$ 131,611	\$ 131,611	\$ 0	\$ 131,611	\$ 0	No difference noted.
2018	\$ 182,567	\$ 182,567	\$ 0	\$ 179,971	(\$ 2,596)	PSAP did not correctly report the total amounts.

### Finding -

The procedure entails reconciling the Kentucky 911 Services Board payments to the PSAP's Self-Reported Survey, general ledger, and/or bank statements per KRS 65.7630. The Kentucky 911 Services Board Reports (Report) of payments and the PSAP's accounting records for fiscal years (FY) 2016 and 2018 did not agree to the PSAP's annual self-reported surveys; however, no exceptions were found for FY 2017.

Fiscal Year	Board Report (including grant funds awarded)	PSAP Accounting Records	Between PSAP Records and Board Report	Self-Reporting Survey	Between PSAP Survey and Board Report	Explanation of Differences
2016	\$ 102,097	\$ 102,097	\$0	\$ 102,097	\$0	No exceptions.
2017	\$ 124,676	\$ 124,676	\$0	\$ 124,676	\$0	No exceptions.
2018	\$ 300,710	\$ 300,710	\$0	\$ 300,710	\$0	No exceptions.

### Finding -

The procedure entails reconciling the Kentucky 911 Services Board payments to the PSAP's Self-Reported Survey, general ledger, and/or bank statements per KRS 65.7630. No exceptions were found as a result of applying the procedure for FY 2016, 2017, or 2018.



## Procedure -

Review two quarterly call traffic reports per fiscal year of the PSAP's wireless and nonwireless 911 calls while confirming the method used to tabulate calls and the method used to prorate expenses based on call volume. Also, recalculate the percentage of wireless and nonwireless calls to verify expenses are accurately prorated based on call volume. For purposes of performing this agreed-upon procedure, no exceptions will be reported when the PSAP's method of prorating expenses is less than the percentage allowable based on call volume.

## Finding -

The PSAP could not provide quarterly traffic reports for FY 16 and, therefore, the method for tabulating calls could not be determined for these periods. An annual report existed for FY16, but the data could not be broken down by quarters. For FY 17 and FY 18, quarterly traffic reports existed so a method of tabulating calls was in place, thus no exceptions were found as a result of applying this procedure during this time period. Expenditures were not prorated for all three fiscal years.

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## Procedure -

Select up to a maximum of three physical inventory items per fiscal year purchased with CMRS funds to confirm the equipment exists, is allowable, and is tracked by the PSAP. For purposes of performing this agreed-upon procedure, only equipment exceeding \$5,000 will be confirmed.

## Finding -

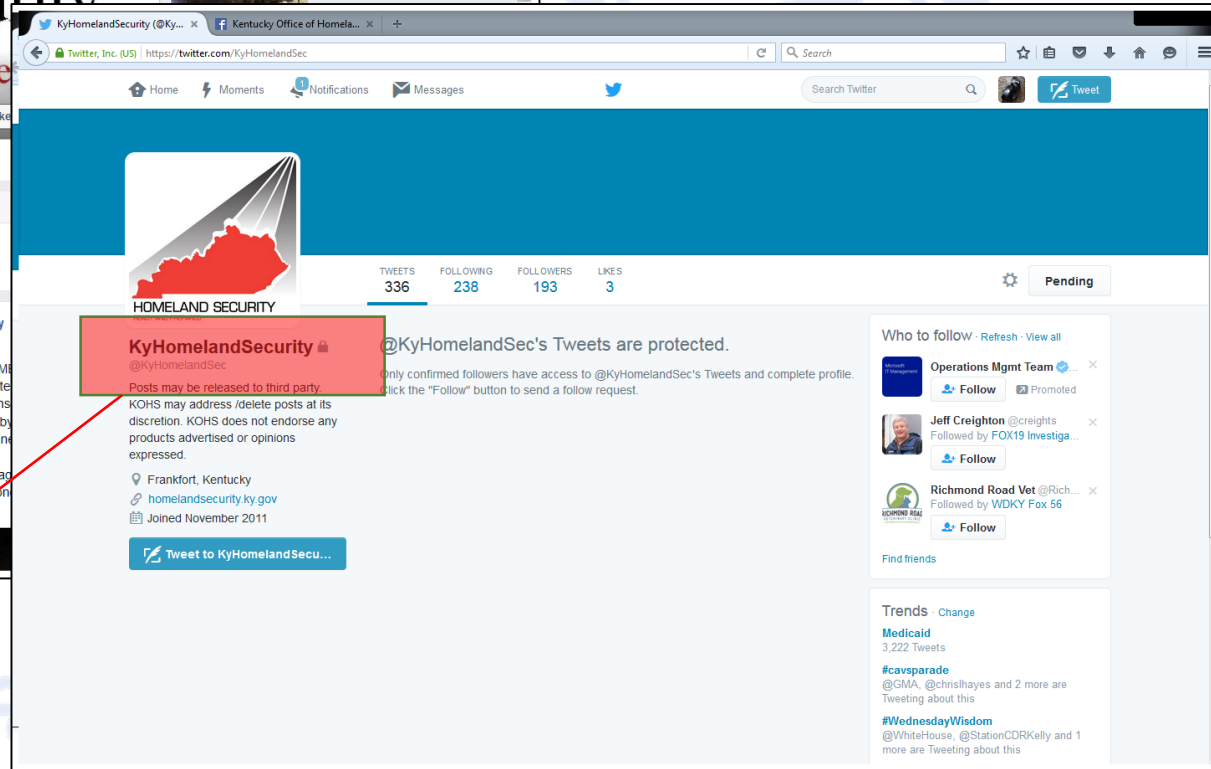
The procedure could not be performed for FY 2016, 2017, or 2018 expenditures because expenditures were not prorated per KAR 202 6:090. Equipment purchased with CMRS grant funds in FY 2017 was examined and no exceptions were noted. Grants were not received for FY 2016 or FY 2018, so the procedure is not applicable in relation to these fiscal years.



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State

Zip

Phone

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Email

Example: example@kentucky.gov

\* Comments

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# What are your questions?

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