

Key Points of Report

An Audit Report on the Statewide 911 System

July 1998

Overall Conclusion

The statewide 911 organizational structure consisting of state, regional, and local governmental entities is inefficient. Overlapping 911 service responsibilities have resulted in duplicative administrative costs. In addition, current purchasing and revenue collection activities are not cost-effective. The entities receive an estimated \$94 million of annual 911 revenue. We estimate that \$29.2 million (31 percent) of 911 revenue could be saved annually. Local governments also provide additional funding for emergency services. We estimate that local governments could save \$34.2 million.

Improvements are also needed for contract administration, financial reporting, fixed asset controls, performance management, and oversight policies.

Key Facts and Findings

- Regional consolidation of administrative, call taking, and dispatching functions would eliminate \$19.1 million (33 percent) of annual duplicative state and local expenditures. Local governments could realize additional annual savings of \$34.2 million in reduced personnel expenditures.
- An effective contract administration process has not been implemented. A competitive procurement process would save \$9.1 million (40 percent) annually. A comprehensive plan for the \$29.8 million rural addressing program was not developed. The program is three years behind schedule and 37 percent over budget. We identified \$477,746 (15 percent) of questionable expenditures out of \$3.2 million tested.
- Fifteen of 24 regional Councils of Government did not consistently report 911 revenue in accordance with generally accepted accounting principles. The revenue collection process does not ensure that maximum funding is available. The 911 system loses \$1.03 million annually because of inadequate collection policies and practices. Additionally, the fixed asset controls, performance management systems, and oversight policies could be improved.
- The combined efforts of state and local governments have resulted in statewide 911 service implementation. Texas is one of only 15 states with statewide coverage.

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Executive Summary

The statewide 911 organizational structure consisting of state, regional, and local governmental entities is inefficient. Overlapping 911 service responsibilities have resulted in duplicative administrative costs. In addition, current purchasing and revenue collection activities are not cost-effective.

The entities receive an estimated \$94 million of annual 911 revenue. We estimate that \$29.2 million (31 percent) of 911 revenue could be saved annually. Local governments also provide additional funding for emergency services. We estimate that local governments could save \$34.2 million.

We also found opportunities to improve operations at the Advisory Commission on State Emergency Communications (Advisory Commission) and the Councils of Governments (Councils). Areas needing improvement include contract administration, financial reporting, revenue collection, fixed asset controls, performance management, and oversight policies.

The combined efforts of state and local governments have resulted in the development of statewide 911 service. Texas is one of 15 states with statewide coverage. Of the 254 counties, 192 have implemented an enhanced level of service. The remaining counties are scheduled for upgrades by 2000.

Consolidate Administrative Entities

Overlapping 911 service responsibilities between 67 of 75 regional and local entities have resulted in duplicative administrative costs of over \$4.9 million (36 percent

of total administrative costs). Our review identified opportunities for increased efficiency through regional consolidation of the following functions and processes:

- Executive management
- Fiscal services
- Management information services
- Equipment procurement/maintenance
- Public education and training
- Customer database management
- Geographic information system services
- Rural addressing services

Consolidate Public Safety Answering Points

The State's 570 public safety answering points (Answering Points) are not efficiently organized. The Answering Point network evolved through local government initiatives without any central coordination. The criteria for establishing an Answering Point did not include any consideration of efficiency. Consequently, the 570 Answering Points incur duplicative costs for equipment, maintenance, and personnel.

The elimination of duplicative expenditures would result in estimated annual cost savings of \$14.2 million (32 percent of equipment costs). Local governments could realize additional annual savings of \$34.2 million in reduced personnel expenditures.

Implement Contract Administration and Planning Processes for 911 Service Provision

Neither the Advisory Commission nor the Councils have implemented

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effective contract administration processes for \$96 million spent since fiscal year 1993. The Advisory Commission has not developed a competitive procurement policy to ensure that services and equipment are obtained at the best available price. A competitive process could save \$9.1 million (40 percent of equipment costs) annually.

The Advisory Commission did not implement a comprehensive plan for the \$29.8 million rural addressing program. The program is three years behind schedule and 37 percent over the initial budget. Our review identified program weaknesses at 27 of 38 (71 percent) local governments tested. We identified \$477,746 (15 percent) of questionable expenditures out of \$3.2 million tested.

Ensure that Financial Reporting Complies With Generally Accepted Accounting Principles and Guidelines

Fifteen of 24 Councils did not consistently report 911 revenue in accordance with generally accepted accounting principles for fiscal years 1993 through 1996. The financial statements include misclassifications for revenue, deferred revenue, and fund balance.

The misclassifications averaged 172 percent of the fund balance reported by the Councils. Consequently, readers of the financial statements could have been misled about the financial condition of the Councils' 911 programs.

Improve Management Controls

The Councils' revenue collection process does not ensure that maximum funding is available. The 911 system loses \$1.03 million annually because of inadequate collection policies and practices. State statutes allow the local exchange carriers to keep fees for 60 days. Consequently, the Councils lose \$316,194 of interest revenue each year. The late payment policy was not enforced in fiscal year 1998. Consequently, \$719,703 of annual delinquent penalties was not collected from the carriers.

None of the 24 Councils have adequate controls to ensure that all of the \$66.1 million of property and equipment procured since fiscal year 1995 is safeguarded. The Advisory Commission has not developed performance measures that gauge the quality of 911 service. The Advisory Commission's composition requirements do not ensure that all members avoid potential conflicts of interest.

Summary of Management's Responses

The Advisory Commission takes its responsibilities very seriously, as it does this State Auditor (SAO) review of the Texas 9-1-1 system. The SAO has identified a number of areas in the system that can be improved and strengthened. The Commission, within the limits of its authority and resources, is committed to addressing those areas.

The Councils and the Texas Association of Regional Councils also submitted management responses. Some Councils do not concur with the

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financial reporting and contract administration findings.

The responses can be found on page 25.

Summary of Audit Objectives and Scope

Our audit objectives were to conduct a financial audit of 911 revenues, to

determine the adequacy of selected management controls, and to determine the efficiency of the 911 administrative system. The scope of the audit included a review of financial and management controls at the Advisory Commission and all 24 Councils.

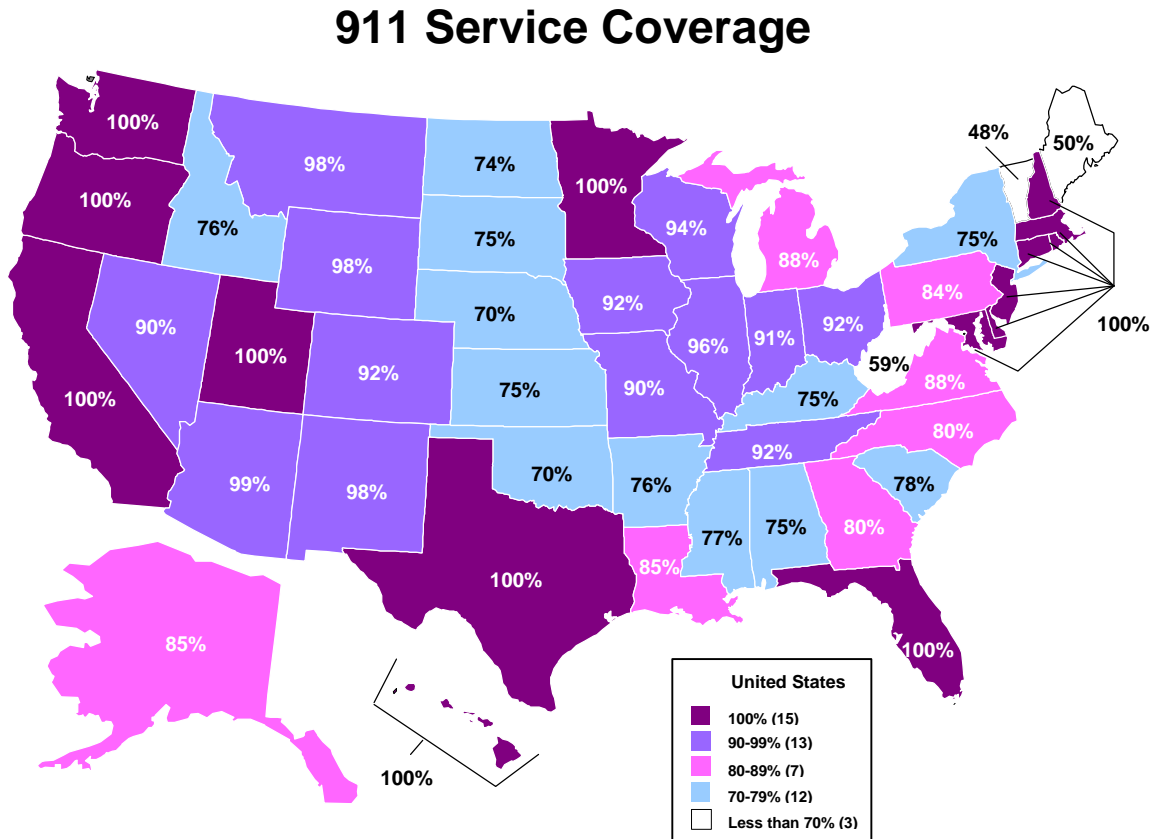
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Section 1:

Opportunities Exist to Improve Statewide 911 Service

The combined efforts of state and local governments have resulted in the development of statewide 911 service. Texas is one of only 15 states with statewide service (see Figure 1).

Figure 1



Source: Minnesota Department of Administration - June 1998

However, the piecemeal evolution of 75 administrative entities and 570 public safety answering points created system inefficiencies. Regional consolidation of administrative, call taking, and dispatching functions would eliminate \$19.1 million of annual duplicative expenditures. Local governments could save an additional \$34.2 million annually in reduced personnel expenditures.

Municipalities started the 911 system in the 1970s. Initially, they operated only within their incorporated limits. During the 1980s, the creation of Emergency Communication Districts (Districts) expanded services into 24 metropolitan areas. In 1989, the 70th Legislature took steps to extend 911 service to the entire State. This legislation:

- Gave the Advisory Commission on State Emergency Communications (Advisory Commission) responsibility for statewide 911 service
- Added the State's 24 Councils of Governments (Councils) as regional administrative entities
- Allowed both Districts and municipalities to operate as originally created

Section 1-A:

Consolidate Administrative Entities

The statewide 911 organizational structure is inefficient. Overlapping 911 service responsibilities between 67 of 75 regional and local entities have resulted in duplicative administrative costs of \$4.9 million a year (36 percent of total administrative costs).¹ Regional consolidation of the following functions and processes would increase efficiency:

- Executive management
- Fiscal services
- Management information services
- Equipment procurement/maintenance
- Public education and training
- Customer database management
- Geographic information system services
- Rural addressing services

Regional consolidation could reduce the service fees paid by citizens and businesses. The savings realized through regional consolidation could also provide opportunities for improving service by transferring administrative funds to upgrade technology and equipment. The administrative burden on city governments could be reduced. Uniformed police officers currently performing administrative duties could be reassigned to primary law enforcement duties. By reducing the complexity of the current administrative system, the ability to plan and manage the statewide system could be improved.

The primary disadvantage of regional consolidation is reduced local control over 911 system administration and service delivery.

The 911 organizational structure consists of 24 Councils of Government (Councils), 24 Emergency Communication Districts (Districts), and 27 Home-Rule Cities (Cities). The Advisory Commission is a state agency responsible for the implementation of the statewide 911 service. The Advisory Commission examines regional plans submitted by the Councils and allocates funds for 911 service operation. The Advisory

¹ The cost-savings estimate is derived from an analysis of the Councils and the Emergency Communications Districts. Due to a lack of available financial information, the Home-Rule Cities were not included in the estimate. Actual savings from regional consolidation should exceed the estimated amount of \$4.9 million.

Commission does not have statutory authority over the Districts' or the Cities' 911 operations.

All 24 Councils are responsible for developing 911 services for municipalities and counties within their regions. However, all 24 Districts and 27 Cities also provide 911 services to counties and cities within the boundaries of 16 Councils. The administrative services performed by the 16 Councils overlap with Districts' and Cities' administration. As a result, duplicative administrative costs of \$4.9 million between the Councils, Districts, and Cities are incurred annually.

Local Government Code, Section 391.001 (b), requires the Councils to "eliminate duplication, and promote economy and efficiency in the coordinated development of a region." Sixteen of 24 Councils cannot accomplish the statutory requirement because of the duplicative administrative services provided by the Districts and Home-Rule Cities.

The Councils have partially accomplished the statutory requirement. Eight Councils already serve as the sole administrator of 911 services within their regions. The Councils also administer Aging, Economic Development, Environmental Resources, and Housing programs. Since the Councils assumed these responsibilities, the creation of additional administrative entities for each individual program area was unnecessary. The duplicative expenditures needed to support additional administrative entities were avoided for these programs.

The Districts were established under the Health and Safety Code, Chapter 772, and operate autonomously from the Councils. The Districts are governed by a Board of Managers and employ administrative staff to provide the 911 service. The respective municipal governments operate the Home-Rule Cities' 911 services. The Cities employ civilian staff and uniformed law enforcement personnel to administer the 911 program.

Section 1-B:

Consolidate Public Safety Answering Points

The State's 570 public safety answering points (Answering Points) are not efficiently organized. The Answering Point network evolved through local government initiatives without any central coordination. The criteria for establishing an Answering Point did not include any consideration of efficiency. Consequently, the 570 Answering Points incur duplicative costs for emergency communications equipment, maintenance, and personnel. The elimination of duplicative expenditures would result in estimated annual cost savings of \$14.2 million (32 percent). Local governments could realize additional annual savings of \$34.2 million in reduced personnel expenditures (see Table 1).

Table 1

Answering Point Options	Recommended Number of Answering Points	Estimated Equipment Savings	Estimated Savings by Local Government
One for each county plus one additional for every 120,000 citizens (per county)	334	\$8,113,931	\$19,484,473
One for each county with an existing Answering Point	239	\$11,380,132	\$27,327,799
One for every 120,000 citizens	155	\$14,268,141	\$34,262,951
One per region	24	\$18,772,060	\$45,078,485
One for Texas	1	\$19,562,825	\$46,977,395

The following comparative results indicate an excessive number of Answering Points operating in Texas:

- The number of Answering Points operating in Texas (570) exceeds all of the states (per population) included in the comparison (see Figure 2).
- About 54 percent of the Answering Points reported less than 10 emergency calls per day in fiscal year 1997. Only 3 percent reported more than 100 calls per day (see Figure 3).

Figure 2

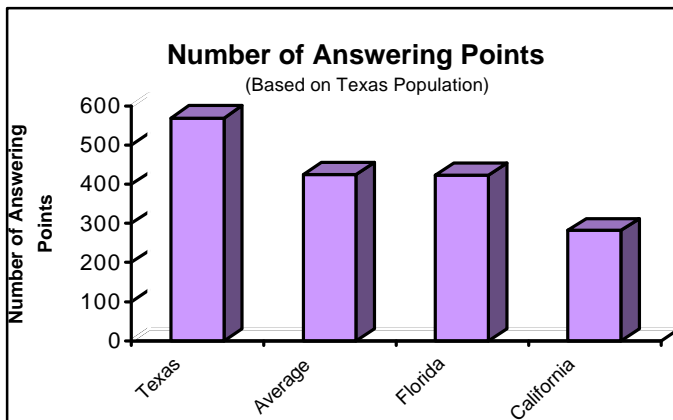
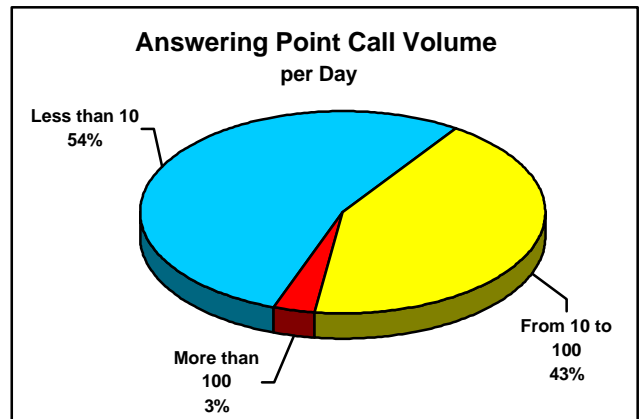


Figure 3



Answering point consolidation studies indicate improved efficiency and effectiveness of 911 service:

- The Denco Area 911 District (Lewisville, Texas) conducted a *Combined Resources Feasibility Study* in 1994.² The results included projected cost savings of up to \$3.1 million for a six-year period. Expected improvements in

² Denco Area 9-1-1 District, *Combined Resources Feasibility Study*, The Warner Group, May 1994

911 service effectiveness included increased public responsiveness; alleviation of call taker/dispatcher workload; and improved coordination, communications, and information access.

- The Minnesota Office of the Legislative Auditor conducted a “Best Practices Review” of 911 public safety dispatching in 1998.³ The review identified benefits of Answering Point consolidation that included cost savings, upgraded technology and equipment, and a reduction of redundant functions.
- The Wisconsin Legislative Audit Bureau conducted a “Best Practices Review” of 911 services in 1997.⁴ The review identified the potential benefits of Answering Point consolidation. The benefits included cost savings in personnel, telephone equipment, computer equipment, computer-aided dispatch systems, radios and paging equipment, and space and maintenance costs.

The studies also identified the following potential disadvantages of regional consolidation:

- Cost savings are dependent on the ability to reduce personnel and combine systems.
- Answering Point location is subject to political issues regarding perceived ownership and control.
- The need for cooperative development of new management structures, operational policies, funding and cost sharing agreements between various levels of government is increased.

Section 1-C:

Eliminate Increased Costs Resulting From Additional 911 Administrative Entities

The creation of additional administrative entities will increase the inefficiency of the statewide 911 network. The inefficiencies could increase demand for equalization surcharge revenue. Additionally, fees paid by citizens may increase.

For example, the City of Corpus Christi notified the Advisory Commission of its intention to create its own 911 administrative entity in January 1998. Consequently, the remaining entities in the region will require \$259,057 of equalization surcharge revenue provided by the State in 1999.⁵ Surcharge requirements for the next four years are estimated at \$1.3 million. The region did not require any surcharge during the nine years prior to Corpus Christi's withdrawal.

³ Minnesota Office of the Legislative Auditor, *9-1-1 Dispatching - A Best Practices Review*, April 1998

⁴ State of Wisconsin Legislative Audit Bureau, *A Best Practices Review: 911 Services*, July 1997

⁵ Advisory Commission on State Emergency Communications, Strategic Plan projection, July 1998

Health and Safety Code, Section 771.071, limits the fee charged by the Councils to 50 cents a month per line. However, this statute does not apply to Home-Rule Cities. Consequently, at least 14 of 27 Home-Rule Cities exceed the rate charged by Councils.

Recommendation:

A review of the statewide 911 organizational structure by a legislative committee should be considered. The review would provide the Legislature with necessary information to determine the most efficient and effective 911 service delivery system. The review could consider the financial and customer service implications of regional consolidation of the 911 administrative system, Answering Points, and dispatch functions.

The Advisory Commission should perform a feasibility study of 911 service regional consolidation. The study should determine the most efficient and effective regional entities to perform 911 service. The Advisory Commission should coordinate with the Councils, Districts, and Home-Rule Cities to develop a comprehensive plan for administration and service delivery. The plan should be submitted to the legislative committee for consideration.

Section 2:

Implement Contract Administration and Planning Processes for 911 Service Provision

Neither the Advisory Commission nor the Councils have implemented effective contract administration processes for \$96 million spent since fiscal year 1993. The Advisory Commission has not developed a competitive procurement policy to ensure that services and equipment are obtained at the best available price. A competitive process could save \$9.1 million (40 percent of equipment costs) annually.

The Advisory Commission has not implemented relevant contracting guidelines or provided training to the Councils. Consequently, the Councils do not have adequate contracts or monitoring processes for services carried out by local governments and private contractors. Without an effective contract administration process, the risk that funds might be misspent or deficient services provided is increased. (See Appendix 2.1 for individual Council audit results.)

Section 2-A:

Implement a Competitive Procurement Process for All 911 Equipment and Services

The Advisory Commission has not implemented a policy to ensure that the \$96 million worth of equipment and services procured since 1993 was obtained at the best available price. The current policy allows procurement from the local exchange

carriers without a competitive process. Consequently, 23 of 24 Councils did not use a competitive process.

The Houston-Galveston Area Council (Houston Council) used a competitive procurement process in fiscal year 1998. The results of the competitive process indicate that the Houston Council will save an average of \$819,048 (40 percent) annually over the prices offered in the non-competitive process. If this rate were applied to the other 23 Councils, annual savings would be \$9.1 million.

The prices for equipment and services obtained from the carriers are determined through the tariffs process by the Public Utility Commission. Since deregulation of the telecommunications industry occurred in 1995, vendors other than the carriers can now offer 911 equipment and services in a competitive market. Because of increased competition between vendors, the Councils can use a competitive process to ensure the best combination of price and quality.

The Advisory Commission implemented a process to increase the efficiency and effectiveness of 911 services. The Advisory Commission and the General Services Commission issued a Request for Offer in March 1998 for database and network services. Carriers are currently providing these services at regulated prices. The process takes advantage of new technology and the competitive market.

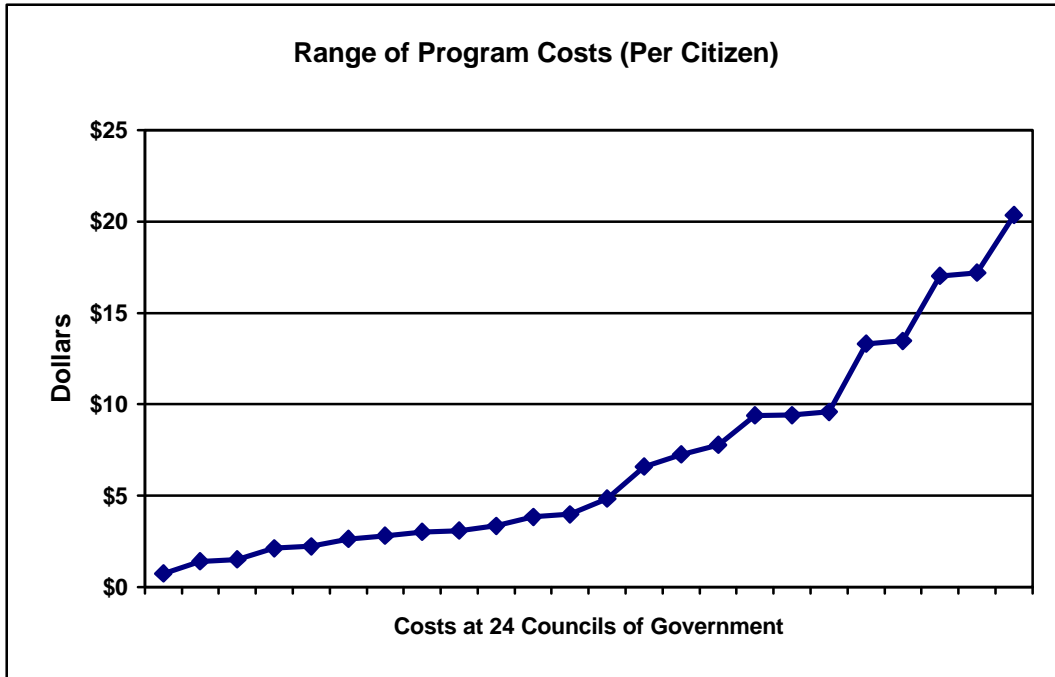
Section 2-B:

Establish Planning and Control Processes Prior to Spending Funds

The Advisory Commission did not implement a comprehensive plan for the \$29.8 million rural addressing program carried out by local governments and private contractors. Instead, the Councils assumed primary planning responsibilities for the program. However, 15 of the 16 Councils reviewed did not prepare a formal program plan. The program is three years behind schedule and 37 percent over the initial budget. (See Appendix 2.2 for individual council audit results.)

The Councils did not ensure that local governments and contractors possessed adequate expertise prior to providing funds. The Councils were not required to justify costs reimbursed by the Advisory Commission. Consequently, regional costs vary from 75 cents to \$20.34 per citizen (see Figure 4). Some costs are dependent upon cooperation between the public, carriers, and the U.S. Postal Service. Different levels of cooperation may account for some of the disparity in regional costs.

Figure 4



However, our review identified program weaknesses at 27 of 38 (71 percent) local governments tested. We identified the following \$477,746 (15 percent) of questionable expenditures out of \$3.2 million tested:

- The Permian Basin Regional Planning Commission (Commission) remitted \$152,394 to its 14 counties during fiscal year 1997 for unsubstantiated costs. Management stated that the counties were instructed to submit invoices for the remaining state funds, although actual costs had not been incurred. Advisory Commission Rule 251.3 states that reimbursement payments will be made after actual costs have been incurred. Two of three counties tested have excess cash balances of \$88,149, with no plan for the use of these funds.

The Commission reimbursed Glasscock County for \$7,785 of computer equipment that is not being used for addressing services. The computer was physically located in the personal residence of the County 911 Coordinator. The equipment was in poor condition with a variety of children's games installed on the computer. The most recent addressing data that could be found was dated February 16, 1994.

- The Deep East Texas Council of Government (Council) did not use a competitive procurement process for \$114,000 of contracted services provided by a private vendor. The Advisory Commission's Rule 251.3 requires competitive procurement. The contracts were subsequently cancelled after the vendor received \$90,100. The cancellations occurred because the vendor was unable to provide consistently accurate rural addressing information. The Council incurred additional costs of \$46,294 to complete

the work that should have been completed by the vendors. No attempt was made to recoup the lost funds.

- The North Texas Regional Planning Commission (Commission) paid \$69,974 to counties for deficient addressing services. Management stated that neither the Commission nor the counties possessed the expertise to determine the quality of the vendor's performance. No attempt to recoup the funds from the contractors was made.

The Commission paid Clay County \$31,577 for addressing services that were not provided. The Commission paid the entire salary and benefits of the County addressing coordinator. The coordinator did not perform any addressing activities.

The Commission reimbursed Montague County employees \$21,985 for rural addressing activities without verifying the validity of the costs. The County routinely receives reimbursement for 5.5 hours each day for the salary of the addressing coordinator, regardless of the amount of time actually spent on rural addressing services. The County Treasurer stated that this method was used to ensure that all of the available addressing funding provided by the Commission is depleted.

- The Texoma Council of Governments paid \$57,637 to counties for deficient rural addressing services provided by a private contractor. The counties could not use the work completed by the contractor, and the contract was subsequently cancelled. No attempt to recoup the funds from the contractor was made.

Section 2-C:

Execute Contracts That Ensure Fiscal Accountability and Quality Performance

None of the Councils has adequate contracts for the \$34.6 million spent for services and equipment in fiscal year 1997. The Advisory Commission has not developed contract guidelines or provided contract provision training to the Councils. Ten Councils do not have contracts for both 911-service provision and addressing services carried out by local governments and private contractors. The remaining Councils' contracts do not include all necessary provisions. Without adequate contracts, the Councils cannot hold providers accountable for delivery of quality services or prevent inappropriate use of public funds. Our review of the contract provisions identified the following deficiencies:

- The Councils' contracts lack financial provisions that ensure funds are spent appropriately and 911 property and equipment is safeguarded. Some contracts did not include provisions that define allowable and unallowable expenditures or reimbursement procedures. Provisions that require compliance with Uniform Grant Management Standards and all applicable laws and regulations are not present in all contracts. Additionally, provisions allowing monitoring and access to financial records and equipment by

oversight entities are not included in all contracts. Without these provisions, the Councils' ability to prevent, detect, and recover misused funds is adversely effected.

- The Councils' contracts lack performance measures to evaluate the providers' results. None of the contracts includes outcome, output, or efficiency measures. Statements defining performance evaluation and penalties for unsatisfactory performance have not been developed. Without clearly defined expectations, substandard services could be delivered and accepted.

Section 2-D:

Establish a Formal Monitoring Process for Service Providers

The Advisory Commission has not developed monitoring guidelines or provided training to the Councils. The Councils have not implemented a formal monitoring process for services carried out by local governments and private contractors. Without an effective monitoring process, the Councils cannot determine the quality of services or prevent inappropriate use of public funds. Uniform Grant Management Standards require a monitoring process that ensures performance goals are achieved. Our review of the Councils' monitoring efforts identified the following weaknesses:

- Standard policies and procedures have not been developed for financial and performance monitoring of service providers. Policies and procedures increase operational understanding and ensure consistent processing of recurrent tasks.
- No formal risk assessment process is used to determine the nature, timing, and extent of monitoring efforts. Risk assessment helps focus limited monitoring resources on those providers who would benefit from assistance.
- No standard criteria for evaluating provider performance have been developed. Standardization would allow management to track and gather performance data. The data could be used to analyze operations to improve quality and efficiency.
- An ongoing assessment of the service providers' ability to safeguard equipment is not performed. The Councils did not review the independent audit reports, or gain an understanding of relevant controls before transferring custody of equipment. Knowledge of the providers' controls can determine the extent of monitoring needed to ensure that equipment is safeguarded.

The Advisory Commission required project narratives, cost-estimate worksheets, and budgets prior to remitting funding for the rural addressing program. However, no monitoring procedures exist to ensure the accuracy of program information. Consequently, the information cannot be relied upon by decision-makers.

For example, the 911 Program Director at the Deep East Texas Council of Governments assumed duties in 1997. The Program Director reassessed all addressing activities and determined that the percentage of completion for some

counties was incorrect. According to a 1995 status report, Sabine County had completed its Master Street Address Guide (MSAG). However, a 1998 status report showed that this MSAG had not even been started.

In Nacogdoches County, the 1995 status report indicated that the MSAG had been completed. The 1998 report showed that the MSAG had not been developed, none of the roads had been named and numbered, and only 15 percent of addresses had been verified.

Although the extent of monitoring varies, some Councils do perform informal monitoring of the Answering Points and addressing providers. Regular site visits are conducted to ensure that equipment is operating properly. Some Councils use standard checklists to document visit results and review invoices before costs are reimbursed.

Recommendation:

The Advisory Commission should amend the procurement policy to require a competitive vendor selection process for all 911 equipment and services. The Advisory Commission should provide guidance to the Councils for implementing an effective competitive selection process. The Councils should implement a competitive selection process for all future 911 equipment and services procurements.

The Advisory Commission should provide comprehensive contract administration standards, guidance, and training to the Councils. This effort should include model contracts that include all relevant provisions to ensure accountability and quality services. The Councils should tailor the model contracts to reflect the characteristics of the local operating environment. The model contract should include the following financial and performance provisions:

- Requirements for provider financial reporting
- Requirements allowing oversight entities to access and monitor provider financial records
- Definitions of allowable and unallowable expenditures
- Procedures for provider reimbursement of unallowable expenditure of funds
- Requirements to ensure the safeguarding of 911 property and equipment
- Requirements for compliance with Uniform Grant Management Standards and all applicable federal, state, and local laws
- Specific statement of work to be performed by the provider
- Requirements for the provider to meet performance standards

- Statements defining performance evaluation and penalties for unsatisfactory performance
- Requirements for contract modifications and termination procedures

The Advisory Commission should develop comprehensive contract monitoring standards, guidance, and training to the Councils. A formal monitoring program should include the following components:

- Standard policies and procedures for financial and performance monitoring
- A formal risk assessment process
- Standard criteria for evaluating provider performance
- An ongoing assessment of the service providers' ability to safeguard 911 equipment
- A review of independent audit reports and procedures to ensure that relevant weaknesses are properly resolved
- Procedures to ensure that monitoring results are considered during the contract renewal process
- Monitoring reports for executive management

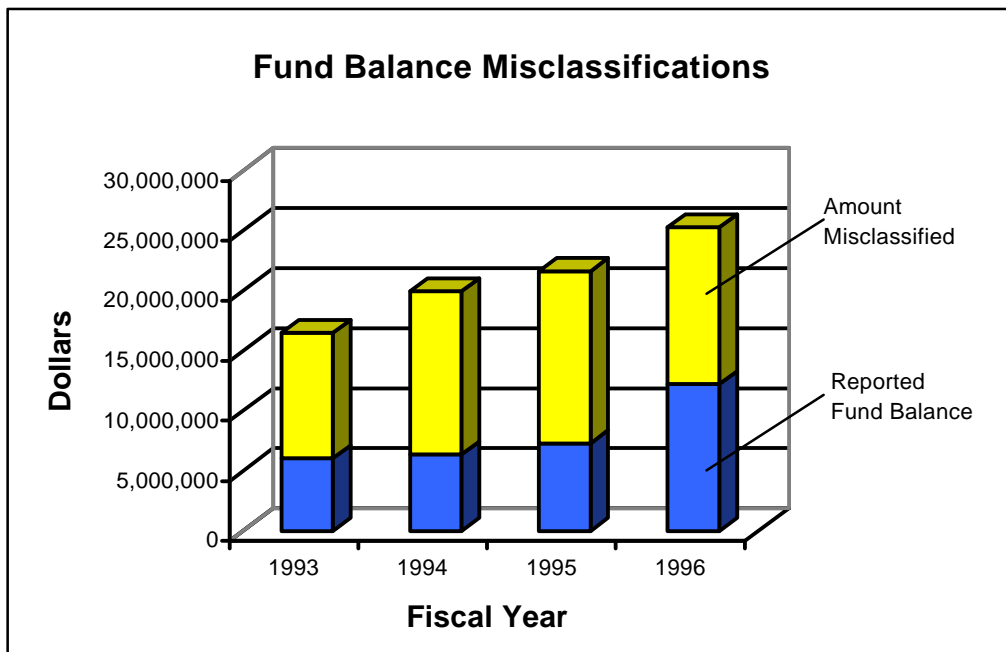
A detailed plan should be prepared prior to beginning any large-scale program. The plan should include appropriate goals, objectives, budgets, and milestones to ensure that the program will be completed within time requirements and budgets. The Advisory Commission should ensure that appropriate expertise is available to successfully complete programs. All parties should consider the possibility of recouping funds lost because of substandard vendor performance.

Section 3:

Ensure that Financial Reporting Complies With Generally Accepted Accounting Principles and Guidelines

Fifteen of 24 Councils did not consistently report 911 revenue in accordance with generally accepted accounting principles for fiscal years 1993 through 1996.⁶ The financial statements include misclassifications for revenue, deferred revenue, and fund balance. The misclassifications averaged 172 percent of the fund balance reported by the Councils (see Figure 5). Since revenue and fund balances were understated, the actual amount of funding available for the 911 program exceeded reported amounts. Consequently, readers of the financial statements could have been misled about the financial condition of the Councils' 911 programs (see Appendix 2.3 for individual Council results).

Figure 5



The Councils' financial statements are the only independently verified source of 911 program financial information available to decision-makers and interested parties. Health and Safety Code, Section 771.0725, requires the Public Utility Commission to monitor the establishment of service rates charged to customers. The Public Utility Commission uses financial information provided by the Advisory Commission to determine if service rates are appropriate.

Health and Safety Code, Section 771.056, requires the Advisory Commission to approve the Councils' regional plans for 911 service. In making its determination, the

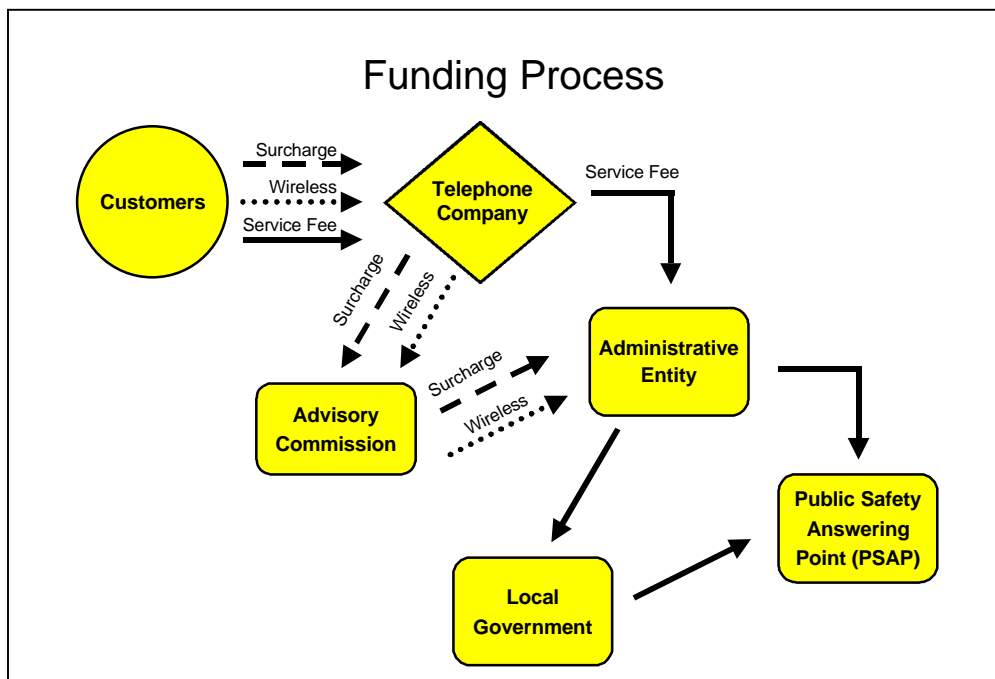
⁶ All of the Councils had not closed the accounting records for fiscal year 1997 as of the fieldwork date. Therefore, the fiscal year 1997 financial statements were unavailable for review. The Councils were notified of any deficiencies in financial reporting from fiscal years 1990 through 1996 and were advised to make the appropriate adjustments to fiscal year 1997 financial statements.

Advisory Commission is required to consider the costs of the plan. Without accurate financial information, the risk that the Public Utility Commission and the Advisory Commission will make inappropriate decisions increases.

Seventeen Councils did not comply with all financial reporting guidelines promulgated by the Advisory Commission (see Appendix 2.4 for individual Council results). Consequently, the Advisory Commission does not have consistent financial information necessary to track and report statewide 911 program revenues. The guidelines, which were issued to the Councils in November 1996, prescribe controls for revenues and expenditures. Our review identified the following deficiencies:

- Three Councils incurred expenditures in excess of the authorized budget. The Capital Area Planning Council also incurred unallowable expenditures for equipment. As of the report date, Advisory Commission staff members were determining the extent of the noncompliance with procurement policies. Health and Safety Code, Section 771.056, requires the Advisory Commission to approve the expenditures included in the Councils' annual plans.
- The annual financial status report was not reconciled to the 911 revenue, expenditures, and fund balance reported in the financial statements. The reconciliation is necessary to ensure the accuracy of financial information.
- Service fee revenue was not properly allocated between landline and wireless sources. The Advisory Commission requires that 70 percent of wireless revenue be used for equipment capable of handling 911 calls received from wireless customers. The proper allocation is necessary to ensure that funds are available for the intended purpose.

Figure 6



- Interest income earned from capital recovery and service fee deposits was not properly allocated to the appropriate account. The proper allocation is necessary to ensure that maximum funding is available for the intended purpose

The complex funding process (see Figure 6 on previous page) complicates financial reporting. The Councils receive revenue from the Advisory Commission, carriers, and wireless providers. The appropriate accounting treatment depends on the source and type of funding (see Figure 6 on previous page). The Councils are also required to submit quarterly financial status reports. The accounting treatment for these reports is determined by Advisory Commission guidelines. A significant amount of employee time is spent implementing process changes and preparing the reports.

Recommendation:

We recommend that the Councils implement the appropriate revenue accounting method. The Councils should make any financial statement adjustments necessary to ensure compliance with generally accepted accounting principles. The Councils should implement the Advisory Commissions' financial reporting guidelines. The Councils should ensure that all expenditures comply with procurement rules and the approved strategic plan.

The Legislature should consider amending Health and Safety Code, Sections 771.071(e) and 771.0711(b) to streamline the reporting process and improve the control environment. All service fee and surcharge revenue should be remitted directly to the State Treasury as general revenue. The Advisory Commission should allocate funds according to approved strategic plans. All revenue should be classified as 911 program grant funds.

Section 4:

Strengthen the Control Environment at the North Central Texas Council of Governments

The North Central Texas Council of Governments (Council) has significant control weaknesses over financial reporting. The control weaknesses prevented the completion of audit procedures on two separate audit visits during fieldwork. The Council cannot provide assurance that funds are spent as intended, assets are adequately safeguarded, and information is accurately reported. Our review identified the following deficiencies:

- All audit procedures could not be conducted because the Council's financial records were incomplete, inaccurate, or missing. Fiscal year 1997 accounting records had not been completed as of February 1998, and completion of the annual independent audit is six months behind schedule compared to prior years.

- Financial reporting accuracy could not be verified for fiscal years 1996 or 1997. Discrepancies exist between the Council's general ledger and the amounts reported to the Advisory Commission for fiscal year 1997. The funds allocated for capital recovery did not reconcile with either the general ledger or the capital recovery bank account. The accuracy of fiscal year 1996 financial reporting could not be verified because the Council could not produce a general ledger.
- The Council did not report program revenue in accordance with generally accepted accounting principles for fiscal years 1993 through 1995.
- The independent auditor's report for fiscal year 1996⁷ included findings for the accounting function. The Council experienced turnover in key positions of its accounting function while a new computer accounting system was installed. The lack of system documentation adversely affected the Council's ability to produce timely financial statements consistent with those produced in prior years.

Turnover in key positions within the accounting function has continued since fiscal year 1996. The Director of Administration and the Chief Accountant left employment during audit fieldwork conducted in 1998.

- The Council did not comply with all financial reporting guidelines promulgated by the Advisory Commission. Wireless and landline revenues are commingled with funds from other programs. Financial status reports for both the first and second quarter of fiscal year 1998 were not submitted as of the fieldwork date. Additionally, a statement of revenues, expenditures, and changes in fund balance was not included in the Council's annual financial report.

Recommendation:

We recommend that the North Central Texas Council of Government fill the vacant accounting positions as soon as possible. All findings from the independent audits should be resolved. The accounting records for fiscal year 1997 should be completed, and any inaccuracies in financial reporting should be corrected. The Council should comply with the Advisory Commission's financial reporting guidelines.

Section 5:

Maximize 911 Revenue

The Councils' revenue collection process does not ensure that maximum funding is available. The 911 system loses \$1.03 million annually because of inadequate collection policies and practices. Health and Safety Code, Section 771.071 (e), allows the carriers to keep fees for 60 days after the last day of the month. This statute

⁷ *Independent Auditors' Report for the year ended September 30, 1996, Deloitte & Touche, LLP.*

allows the carriers to earn 60 days of interest on the Council's revenues. Consequently, the Councils lose \$316,194 of annual interest revenue.

Audit results indicate that 312 of 589 (53 percent) payments were remitted after the 60 days allowed in the statute. The late payments ranged from 61 to 213 days, with an average of 67 days. Advisory Commission Rule 255.7 states, "failure to remit fees in a timely manner may result in late payment penalties to be assessed in the amount not to exceed \$100 a day for each delinquent day." Neither the Advisory Commission nor the Councils enforced the late payment policy in fiscal year 1998. Consequently, \$719,703 of annual delinquent penalties was not collected.

Recommendation:

We recommend that the Legislature consider amending Health and Safety Code, Section 771.071(e), to eliminate the 60-day allowance for carriers. The carriers should be required to remit funds via electronic funds transfer, direct deposit, or the most rapid transfer method available.

The Councils should report all late payments to the Advisory Commission, and all delinquent penalties should be collected in accordance with Rule 255.7.

Section 6:

Establish Controls to Safeguard Equipment at All Locations

The Councils do not have adequate controls to ensure that all of the \$66.1 million of equipment procured since fiscal year 1995 is safeguarded. Although the Councils have controls for assets located on their premises, controls are inadequate over equipment located at the Answering Points. The Advisory Commission has not developed relevant guidelines or provided training to the Councils.

The Councils lease some equipment from the local exchange carriers. However, 15 Councils have not established ownership for equipment they have purchased. The Councils have stated that the Answering Points own the equipment. None of the 15 Councils prepared transfer-of-ownership documents. The equipment was not reported in any parties' financial statements or property records. Without a clear record of ownership, accountability for the equipment cannot be established (see Appendix 2.5 for individual Council results).

The Councils did not assess the adequacy of controls before relinquishing custody of the equipment. Without an understanding of relevant controls, the risk that the equipment could be lost or stolen without detection increases. Although the lack of financial statement reporting limited the extent of audit testing, the following control weaknesses were identified:

- Property records were not maintained for all equipment.
- Physical inventories of all property and equipment were not conducted.
- Lost or stolen equipment was not investigated.

- Equipment was not tagged with identification labels.
- Custodial responsibility forms were not prepared for any equipment.
- Property records were not reconciled to general ledger.
- Responsibilities over property and equipment were not properly segregated among employees.

Recommendation:

We recommend that the Advisory Commission establish guidelines and provide training to the Councils to ensure that all property and equipment is safeguarded. The Councils should establish ownership of all property and equipment located within their respective regions. Before the equipment is transferred, the Councils should gain an understanding of the adequacy of the controls. If the decision is made to relinquish custody to the Answering Points, transfer-of-ownership documents should be prepared and signed by both parties. The Councils should review the appropriate financial statements to ensure that the equipment is reported in accordance with generally accepted accounting principles.

The Councils should monitor the Answering Points to ensure compliance with required controls. Property records should be maintained for all equipment and reconciled to the general ledger. The Councils should physically inventory all property and equipment; all equipment should be tagged with identification labels. Lost or stolen equipment should be investigated. Custodial responsibility forms should be prepared and assigned to employees. Responsibilities over property and equipment should be properly segregated among employees.

Section 7:

Implement Useful and Accurate Performance Measures for 911 Service

The Advisory Commission has not developed performance measures that gauge the quality of 911 service. Health and Safety Code, Section 771.051, requires the development of "minimum performance standards for equipment and operation of 911 service." The Advisory Commission's performance management system does not include useful measures for 911 service such as:

- Emergency Service Response Times
- Percentage of Emergency Calls Answered within Standards
- Percentage of Unanswered or Lost Emergency Calls
- Emergency Call Volume at Public Safety Answering Points
- Percentage of Calls Not Requiring Emergency Services
- Total Cost per Emergency Call
- Number of 911 Equipment Malfunctions
- Percentage of Callers Satisfied with 911 Service

The Advisory Commission has implemented performance measures that provide information on technological improvements, funds spent for systems, and public

education efforts. However, the following audit results indicate that the performance information collected for three performance measures was not reliable:

- The performance measure results for "Total Number of People Reached with Public Education Items" are not reliable because the results were based on an estimate instead of the actual number of people reached. The measure definition does not allow estimation in the results calculation.
- The performance measures results for "Fees and Equalization Surcharge Allocated to 911 Implementation," and "Fees and Equalization Surcharge Allocated to County Addressing Projects" are not reliable. The reported results were understated by over 20 percent.

Recommendation:

The Advisory Commission should develop performance measures that provide information on the quality of 911 services provided. The results can be used to determine opportunities for improved 911 service.

The Advisory Commission should provide the Councils with guidance and training to ensure that performance results are accurately reported.

Section 8:

Amend the Composition of the Advisory Commission

The Advisory Commission's composition requirements do not ensure that all members avoid potential conflicts of interest. Health and Safety Code, Section 771.031, requires that 3 of 16 members be representatives from each of the three carriers that serve the most local access lines. The three carriers are also the primary vendors for \$96 million of 911 equipment and services procured by the Councils since 1993. The Advisory Commission's powers include allocating funds for the Councils' procurement of 911 equipment and services. As Advisory Commission members, the carrier representatives have the opportunity to influence procurement decisions that other vendors do not have.

The Office of the Attorney General has issued opinions regarding conflicts of interest.⁸ The opinions generally preclude a state agency from making purchases from a company that has a representative serving as a Commission member. The Attorney General's opinion also concluded that recusal does not generally waive this prohibition.⁹

The statute also requires that the Executive Director of the Texas Association of Regional Councils serve as a Commission member. The Executive Director receives direct compensation from the Councils for duties related to this position. As a

⁸ Texas Attorney General JM-817 (1987) at 2, JM-671 at 2; JM-671 at 3; JM-424 (1986) at 4; H-624 (1975) at 2; Letter Opinion 92-52 (1992) at 3; see *Meyers v. Walker*, 276 S.W. 305, 307 (Tex. Civ. App.-Eastland 1925, no writ)

⁹ Texas Attorney General Letter Opinion No. 93-12 (1993)

Commission member, the Executive Director has the responsibility of approving the Councils' regional plans. Since the Director receives compensation from the Councils, the appearance of a conflict of interest exists.

Recommendation:

The Legislature should consider amending Health and Safety Code, Section 771.031. The Advisory Commission should be composed of members without any potential conflicts of interest.

Managements' Responses

The Advisory Commission's and Councils' responses are from their Executive Directors. The Texas Association of Regional Councils' response is from its President.

◆ Advisory Commission On State Emergency Communications ◆

Introduction

The statewide, administrative infrastructure in Texas is a reflection of the growth and development of 9-1-1 services throughout the state. As described in ACSEC's Strategic Plan, Sunset Self-Evaluation Report and elsewhere, the first 9-1-1 programs in Texas were initiated by municipalities desiring to improve emergency response services. In the state's larger metropolitan areas, it soon became clear that access to emergency services needed to be consistent and better coordinated. Based upon local initiative and legislative enabling action, the result was the creation of emergency communication districts, intergovernmental political subdivisions of the state designed to insure consistent access to 9-1-1 throughout the metropolitan areas involved. Ultimately, the Legislature saw benefit in insuring that such access existed throughout the state and created the state program, along with the Advisory Commission operating through the state's twenty-four regional planning commissions. For the more rural parts of the state, the program was voluntary, and allowed 9-1-1 administrative entities, both districts and cities already in place to continue to operate as originally created.

The public's perception of 9-1-1 is not limited to the 9-1-1 call that starts the process. Indeed, when asked, most people will describe 9-1-1 as a combination of telephone service and emergency response--in other words, both the call for help and the ambulance that arrives at the front door. From the standpoint of public policy and service delivery, however, the components of 9-1-1 service can be quite distinct. The delivery of emergency service is traditionally a local governmental service. How that service is delivered, how efficient it is, and how much it costs are individual local governmental responsibilities. The access to that service, on the other hand, raises issues of intergovernmental consistency and delivery. The basic idea of 9-1-1--i.e., "one nation, one number"--is founded on the belief that a consistent way to request help minimizes public confusion (in a time of stress) and is the most effective way to initiate the process. The results are regional and state programs designed to insure that congruity. Where the line is drawn between the "delivery of a 9-1-1 call" and the resulting emergency service--between what is an appropriate regional and/or state service and a local governmental responsibility--is truly a matter of public policy. The environment in which 9-1-1 takes place has greatly changed from its inception twenty years ago. The relatively simple 9-1-1 technical solutions that worked well in the beginning, can no longer accommodate today's telecommunications market that includes, for example, growing numbers of local service providers, multiple area code splits, telephone number portability, wireless and the like. Everything has changed.

Today, complexity is the “name of the game,” and 9-1-1 must be prepared to address that complexity.¹⁰

The Advisory Commission takes its responsibilities very seriously, as it does this State Auditor (SAO) review of the Texas 9-1-1 system. The SAO has identified a number of areas in the system that can be improved and strengthened. The Commission, within the limits of its authority and resources, is committed to addressing those areas.

Consolidate Administrative Entities to Improve the Efficiency and Effectiveness of 9-1-1 Service

Comment:

Administrative and planning structure, along with intergovernmental/consolidated delivery mechanisms directly reflect the public policy issues described above. The Advisory Commission’s enabling statute in 1987 was designed in part to limit growing 9-1-1 administrative complexity. Without that statute, there would be many more such entities today than there are.

The Advisory Commission feels very strongly that, with enactment of the state 9-1-1 program, the Legislature intended to not only provide the basis for consistent and standard statewide emergency communications, but to simplify its implementation as well. While acknowledging the role and contributions of existing 9-1-1 entities, the statute clearly put an end to new, independently operating agencies, and generated an intergovernmental process designed to support the universal nature of the service. Entities leaving the program at this point to operate independently would move away from that direction and create a substantial drain on Equalization Surcharge revenue.

Response to Recommendations:

The Commission is sensitive to these issues, keeping in mind that the operation of public safety answering points is a function and responsibility of Texas’ 1200 cities and 254 counties. Indeed, the Denco Area consolidation study referenced in the audit was partially funded by the Advisory Commission.

Action:

While the Commission’s ability to effect the kind of change described in the report is limited by its authority, the Advisory Commission will immediately organize a task force composed of representatives of Councils, home rule cities and districts to examine the issues involved, and the opportunity to move to more cost-effective and efficient emergency service delivery systems. The intent of that effort is to not only explore such options in a more directed and focused fashion, but to assist the

¹⁰ The State’s Poison Control Network is an example of how change in structure and technology can benefit an emergency service.

legislature, as well, in whatever review of these structures they desire. Such reviews are always beneficial and appropriate.

Based upon the results of the above task force, the Advisory Commission will also examine ways to encourage more efficient delivery mechanisms within the scope of the state program. Such encouragement can include, for example, performance standards and direction (as the report recommended) to Councils to effectively explore such options with their member governments.

- **Implement Contract Administration and Planning Processes for 9-1-1 Service Provision**

Comment:

From the inception of the statewide program, the Advisory Commission has required detailed plans from Councils addressing most aspects of 9-1-1 service implementation. The process was further strengthened in 1994 through the deployment of a comprehensive five-year strategic plan activity, with coordination from the Commission. The latter activity includes, but is not limited to a detailed annual review of all program components, implementation status and financial need. Subsequent to Commission review and approval, contracts are executed with those Councils requiring Equalization Surcharge support. Training workshops pertaining to the above are held annually for Council personnel.

- **Implement a Competitive Procurement Process for all 9-1-1 Equipment and Services**

Comment:

ACSEC has an established, written procurement policy that requires competitive procurement in accordance with state law except where said equipment and or services are purchased under tariffs approved by the Texas Public Utility Commission (PUC) in compliance with the Texas Public Utility Regulatory Act (PURA).¹¹ That is the only exception. Historically, regulated telephone companies have provided such goods and services through “end-to-end” arrangements. Often the equipment involved is leased, not purchased, and usually includes installation and maintenance services as well. The establishment and approval of the tariffs involved takes place through a structured process overseen by the Texas PUC.

¹¹ ACSEC has provided guidance and instructions to regional planning commissions when the latter have elected to not purchase equipment under an approved telephone company tariff. The latter includes compliance, for example, with Subpart C, Section 36 (Procurement) of the State’s Uniform Grant Management Standards.

Response to Recommendations:

As noted in the report, the above environment is changing with deregulation of the local telecommunications industry. There is a growing opportunity for competition, where none existed previously. ACSEC agrees with the auditor's recommendation that current procurement policy should be reexamined in light of this competition and the opportunity to purchase the above goods and services most cost effectively.

Action:

The Advisory Commission will immediately undertake rule making to amend its current procurement policy to require that all procurement take place competitively. This will effectively remove regulated telephone company tariffed offerings to be procured in a sole source fashion without analysis of the cost benefits of the tariff offerings. As a matter of course, the Commission will also explore and provide guidance to Councils on compliant procurement processes and mechanisms.

The Advisory Commission's Internal Auditor has been requested to verify the progress of this item within 120 days.

- **Establish Planning and Control Processes Prior to Spending Funds**

Comment:

Addressing is by nature a local governmental activity. Roads are named, addressing schemes adopted, and property assigned addresses. Often the process is a sensitive activity, directly involving the public with vested interests in both the process and the eventual results. Many other parties have a direct or indirect interest in the process as well, not the least of which is the US Postal Service and public utility companies. While the process, itself, is cumbersome, time consuming, and complicated, it is ultimately local in nature.

With enactment of the state 9-1-1 program, authority to address did not even exist outside incorporated municipalities. With encouragement from the Advisory Commission, the Legislature rectified that situation in 1989 by expressly providing that authority to Texas county government. In 1993, the Advisory Commission began to provide Equalization Surcharge support to regional planning commissions (and, through them, to county governments) to fund addressing across the state.¹² Based upon the above and with input from

¹² In all, 225 Texas counties required addressing at one level or another, accounting for nearly 450,000 miles of roads. The process itself required that all those roads be identified and named (or numbered), comprehensive county-wide mapping developed, addressing schemes be adopted, all parcels of property addressed, US Postal routes converted, and the public notified of the assigned addresses. And, once that occurred, addressing database maintenance mechanisms had to be established.

local government, the Commission made the fundamental decision to leave the activity at regional and local levels.

As noted, regional planning commissions were given the primary planning responsibility for this activity.¹³ However, within the limits of agency resources, technical assistance was provided, through addressing manuals (and revisions thereto), coordination with the US Postal Service, the US Census Bureau, and state agencies providing mapping resources. Specifically, an Addressing Subcommittee to the Commission was formed in 1990 to develop guidelines for rural addressing. The Subcommittee was comprised of representatives from local government, state agencies such as the Texas Department of Transportation (TxDOT), the State Property Tax Board and the Texas Natural Resource Information Systems (TNRIS) and the United States Postal Service (USPS). The guidelines developed by the subcommittee were broad-based so that they could be adapted to any local application. In addition to the guideline development, ACSEC staff conducted training sessions for COG and county personnel as was requested by local government. In 1996, an addressing consultant was retained to work directly with regional planning commissions and counties to facilitate the process.¹⁴ To date, 31 counties have completed their projects, with another 138 scheduled to be completed this year.

- **Execute Contracts That Ensure Fiscal Accountability and Quality Performance**

Comment:

As required by state statute, the Advisory Commission has historically held regional planning commissions responsible for program performance. The Commission has not required regional planning commissions to execute interlocal agreements with their member governments, though service agreements or contracts with serving telephone companies are required. The Commission does provide model agreements in these areas.

¹³ Both in accordance with Chapter 771 of the Texas Health and Safety Code, and under the guidelines of the state's Uniform Grant Management Standards.

¹⁴ Regional planning commissions are required to develop county based "cost estimate worksheets" and narratives identifying all projected costs by project component. The Advisory Commission must approve these projections and project components before 911 funds can be expended.

- **Establish a Formal Monitoring Process for Service Providers**

Comment:

Beyond the Advisory Commission's own monitoring activity, the Commission has historically depended upon the state's Uniform Grant Management Standards to govern such responsibility.¹⁵

Response to Recommendations:

The Advisory Commission concurs that a more structured and formalized relationship between Councils and their member governments would be beneficial. The Commission also agrees that ACSEC prepare guidelines, setting out a definitive monitoring process designed to implement state management standards would assist Councils in meeting their statutory responsibilities.

Finally, the Advisory Commission agrees in principal that large-scale, statewide projects should be undertaken in accordance with clearly defined goals, plans and processes. In fact, the Commission has proceeded in just that fashion in many areas, including but not limited to wireless 9-1-1, database and network improvements. As recommended, the Commission, in many instances, has served a role of coordinator, planner, facilitator and resource aggregator. In hindsight, the state's addressing activities would have benefited from more support in this fashion, though the essential local nature of the activity can not be denied.

Action:

Upon release of this report, the Advisory Commission will immediately review responses from those councils and projects cited. Where necessary, the Commission will request more detailed responses to effectively identify the problems and issues involved. Corrective action plans will be required, and the Commission will monitor the implementation of those plans (and, will direct Councils to do same).

Funding of those addressing projects identified has already been stayed until the above process can be effected. Where costs are disallowed, the Commission will use its statutory authority to recover the funds involved.

Both Contract administration and monitoring standards, guidance and training, as they relate specifically to the relationship between Councils and their members will be addressed immediately. Within agency resources, the latter will include but not be limited to a "model contract" that will cover the provisions identified, and an expansion of the Commission's monitoring

¹⁵ ACSEC has an established monitoring process governing its own monitoring activity. Regional planning commission monitoring responsibility is governed by Subpart C, Section ___40 of the state's Uniform Grant Management Standards (Monitoring and reporting program performance), which says in part that "(g)rantees must monitor grant and subgrant supported activities to assure compliance with applicable federal and state requirements and that performance goals are being achieved."

instrument already in place. Overall, the intent is to move the program towards better business management practices.

The Advisory Commission's Internal Auditor has been requested to verify the progress of these items within 120 days.

Ensure that Financial Reporting Complies with Generally Accepted Accounting Principles and Guidelines

Comment:

As noted, the Advisory Commission comprehensively revised its Council financial and program reporting guidelines in March 1996. Developed with input from the Councils, the revisions were designed to both provide information the Commission required to adequately monitor the financial health of the program, and provide the basis for determining Equalization Surcharge allocation. In support of this information, the Advisory Commission's internal audit plan for the last two years includes as a task the reconciliation of telephone company remitted revenues against Council report revenues.

In addition, the Advisory Commission distributed independent audit guidelines in November 1996 to Councils designed to focus the independent audit of Council annual financial statements on 9-1-1 program activity. In regards to "deferred revenue," fund balances and annual financial reporting, the Commission provided clarification and instructions to Councils on May 6, 1997.¹⁶ It should be emphasized that the Commission is only now beginning to receive and review statements completed in accordance with those guidelines. ACSEC's internal auditor is responsible for the review.

Response to Recommendations: The state 9-1-1 program is a relatively complicated and diverse activity. The Advisory Commission continues to work with Councils to improve and simplify financial and program reporting. The Commission strongly believes in proper accountability and supports efforts to insure it.

Action:

The Advisory Commission will immediately examine its financial reporting and management structure to identify areas that can be strengthened and improved. Where identified, and following proper audit and monitoring resolution, the Commission will seek to immediately recover 9-1-1 funds improperly expended. The Commission will require Councils to do the same.

The Advisory Commission's Internal Auditor has been requested to verify the progress of this item within 120 days.

¹⁶ This issue was identified by the Advisory Commission's Internal Auditor, and ultimately generated opinions from both the Offices of the Comptroller and the State Auditor. Commission instructions to Councils was based upon those opinions.

Strengthen the Control Environment at the North Central Texas Council of Governments

Comment:

The Advisory Commission continues to work with the North Central Texas Council of Governments (NCTCOG) to address their financial control weaknesses.

Response to Recommendations:

Concur with Recommendations.

Action:

The Advisory Commission will request the NCTCOG to submit by October 1, 1998 a corrective action plan detailing Council actions designed to address the issues and weaknesses identified.

The Advisory Commission's Internal Auditor has been requested to verify the progress of this item within 120 days.

Implement Processes to Maximize 911 Revenue

Comment:

Amendments to Health and Safety Code, Chapter 771, adopted by the Legislature in 1997, reduced the cited retention period to 30 days for wireless services. In response to Commission recommendations, the Legislature has adopted legislation providing the Commission with the authority to assess penalties after the opportunity for notice and hearing. Advisory Commission Rule 255.7 was only adopted following that change in statute and the authority it provided. Within the limits of agency resources, the Commission fully intends to enforce this section and rule.¹⁷

Response to Recommendation:

Concur with recommendation. The Commission will also attempt to address these issues during its Sunset review with the Legislature.

¹⁷ Service fees are remitted by telephone companies directly to Councils. The agency Sunset Self-Evaluation Report recommends that the Commission's revenue auditing function and responsibility be transferred to the Comptroller's Office, which is much better equipped to administer and monitor proper revenue collection.

Establish Controls to Safeguard Equipment at All Locations

Comment:

Subpart C, Section __.32 of the State's Uniform Grant Management Standards (UGMS) governs equipment. Paragraph (a) specifically indicates that

(s)ubject to the obligations and conditions set forth in this section, title to equipment acquired under a grant or subgrant will vest upon acquisition in the grantee or subgrantee respectively.

Paragraph (b) further indicates that

(l)ocal governments and other subgrantees shall develop and use their own property management systems, which must conform with all applicable federal, state, and local laws, rules and regulations.

It should be noted that much of the 9-1-1 equipment in use today was not purchased from telephone companies, but leased through end-to-end arrangements described above. Equipment actually purchased was, for the most part, obtained directly by Councils from vendors and placed in PSAPs for local governmental use. Generally, the Commission looks to Councils for proper control and use of equipment purchased under the state 9-1-1 program.

Response to Recommendations:

While the state's Uniform Grant Management Standards described above are clear in their intent, there is no question that state agencies have a responsibility to provide guidance in their use and compliance. The Advisory Commission concurs with recommendations.

Action:

Within its resources, and, in accordance with UGMS, the Advisory Commission will begin immediately to provide guidance and training to Councils regarding the proper inventory, use and control of property and equipment purchased under the state 9-1-1 program. The Commission will work with the Texas General Services Commission, the Texas Association of Regional Councils and other resources to provide that training. As appropriate model property management standards and systems will be obtained and provided to Councils that require such support.

The Advisory Commission's Internal Auditor has been requested to verify the progress of this item within 120 days.

Implement Useful and Accurate Performance Measures for 9-1-1 Service

Comment:

The Advisory Commission agrees that its performance measures do not directly measure the quality or the benefit of 9-1-1 service. "Benefit" related measures would address things like "lives saved" and "property protected." As the Commission has noted itself during interim legislative review of such matters, the management and information system necessary to adequately measure such performance does not currently exist.¹⁸

"Fees and Equalization Surcharge Allocated" measures depend upon accurate financial reporting from Councils. Furthermore, as the Commission has pointed out in the past, the measures involved must be updated as Councils revise their year-end reports to reflect costs posted back to the previous fiscal year. Since the measures are statewide in nature, and there are twenty-four (24) Councils making such corrections, the measures necessarily must be updated frequently.¹⁹ More often than not, that requires coordination with and action by the Legislative Budget Board to open ABEST to such corrections. Generally, the Commission attempts to group these "updates" (monthly) to minimize the frequency of changes.

Response to Recommendations:

The Advisory Commission agrees that improvement can and will be made to identify and define performance measures that better assess the efficacy, efficiency, and quality of the 9-1-1 emergency services delivery system.

Action:

As management and information mechanisms become available to better allow the Commission and the Legislature to monitor state program performance, the Commission will work with the Legislative Budget Office and the Governor's Office to implement the measures involved.

The Commission will continue to update measures as described.

Amend the Composition of the Advisory Commission

Comment:

This is an item addressed by the Commission in its Sunset Self-Evaluation Report report.

¹⁸ Including "quality" measures like those recommended.

¹⁹ The majority of Councils will report all financial activity to a previous fiscal year by the end of the second quarter of the following fiscal year. Some, however, based upon delayed vendor billing and other factors, may take much longer than that. Measures must be updated every time this occurs.

Response to Recommendations:

As noted in its Sunset Self-Evaluation Report, the Advisory Commission recommends that

(r)epresentation should be changed to emphasize legislative, local governmental and consumer membership. Specifically, nine Commissioners are recommended.

◆ Texas Association of Regional Councils ◆

The association (TARC) is a public entity created by all 24 of the councils of governments. As its president, I would like to provide information and express several observations about the State Audit of the 9-1-1 program in Texas. The State of Texas initiated the 9-1-1 program approximately ten years ago and major accomplishments have been made in large measure because of the use of a State/Local partnership model. Cities, counties, and councils of governments in partnership with the State, have contributed to the most comprehensive addressing project in the country. The Texas 9-1-1 Emergency Response Program has been strongly supported by local funding during the planning and addressing stages, and the local governments are currently responsible for funding all of the call taking of emergency calls and appropriate responses. Without considerable local effort, the state of Texas would not have a 9-1-1 Emergency Response System. The Audit Report covers several areas of specific concern:

- **Did not establish a planning process for addressing** - *Based on direction from the State 9-1-1 Commission, councils of governments developed a detailed strategic planning process that outlined the goals of the addressing program and identified specific activities to be accomplished each year. Due to the unexpected complexity and difficulty in the addressing area, the schedule for these projects extended beyond earlier projections. The strategic plans, however, have been modified to properly reflect the appropriate timing in each region. **The planning process will be strengthened in partnership with the State to more accurately project the completion of the 9-1-1 Addressing Projects in each region.***
- **None of the councils of governments have formal monitoring processes** *This report seems to indicate that councils of governments do not perform monitoring of their subgrantees. It should be understood that monitoring systems are in place and that phone company maintenance contracts in many areas provide an on-going system of keeping equipment in effective operating condition. A more formal monitoring system will be implemented in cooperation with the State 9-1-1 Commission.*
- **Financial reports have been "misclassified"** - *The financial reporting has not been "misclassified" as characterized by the report. The independent auditors of many councils of governments have classified 9-1-1 revenue as deferred revenue. TARC believes that no 9-1-1 funds have been*

*“misclassified” for the years 1993-1996, however, revenues were reported in a different category, “deferred revenue,” in councils of governments annual financial reports. It should be understood that the liability in the fund is there whether it is classified as deferred revenue or as a fund balance. **Since the State Auditor’s and Comptroller’s opinion was developed on the recommended accounting treatment and classification of revenues in August 1997, we believe those funds will be recognized and reported in that manner in the future.***

- **Equipment ownership and safeguards** - *In most cases, the Public Safety Answering Point (PSAP) equipment is owned by telephone companies and leased by councils of governments. As part of executed contracts with telephone companies, councils of governments have ensured controls over property and equipment used in answering 9-1-1 calls as the PSAP. Contained within these contracts is language that outlines the telephone companies’ responsibilities for service and maintenance of the equipment for 365 days, seven days a week on a 24-hour basis. Additionally, the telephone companies are responsible for carrying the equipment on their inventory; hence, neither the councils of governments nor the PSAPs are responsible for tracking this inventory. In regard to other equipment such as voice-recording equipment, the ownership should transfer to the operating local government and become a part of its inventory. **The councils of governments will, however, work with the 9-1-1 Commission to strengthen this administrative area.***

Thank you for providing us an opportunity to comment on common areas of concern. We look forward to working with the State to provide the highest quality of 9-1-1 services throughout the state of Texas.

◆ Alamo Area Council of Governments ◆

First, it would be helpful to the reader if the review acknowledged the status of this intergovernmental program in which participation initially was voluntary on the part of local governments.

In the case of the Alamo Region, the program has resulted in significant improvements in public safety for the residents of our region in the single decade since its inception.

- *12 counties and 51 cities came together voluntarily through the Alamo Area Council of Governments to bring 9-1-1 services to the public;*
- *9-1-1 service is now available at the most basic level to 100 percent of our population, in 1988, only the metropolitan area and one of twelve rural counties had 9-1-1 service;*

- *The program to provide addresses in rural areas for which we are responsible for public safety response is now 100 complete for region; the Districts in our Region are virtually complete;*
- *In those areas where addressing is complete, we have initiated ongoing maintenance to assure that the addresses supplied to police, fire, and ambulance units are current in a growing region; one of our rural counties is among the fastest growing counties in Texas, Kendall, wherein maintenance is very close to the original addressing burden;*
- *The Alamo region has a structured program to bring more advanced 9-1-1 services to the entire region, for example services that have long been available in major urban centers such as automatic location identification, automatic number identification, and selective routing.*

In the report, we note that Alamo Area Council of Governments' 9-1-1 financial reporting showed zero misclassifications in financial reporting.

Alamo Area Council of Governments is continuously working to improve its planning, contracts and contract management, monitoring, and financial systems. Additional assistance and training in these areas from the state are welcomed. We would like these systems to be cost effective and within the resources made available by the state for administration of this important regional service.

◆ Capital Area Planning Council ◆

Although the Capital Area Planning Council (CAPCO) has established substantial policies and procedures to improve its 9-1-1 Program, we do not dispute that additional assistance with contract administration, monitoring guidelines, property management, or accounting methods would be helpful.

We would like to note, however, that during 1998 CAPCO has established an operating procedures and policies manual which is now incorporated into the contracts with our local jurisdictions and addresses purchasing, PSAP operation, equipment care, local 9-1-1 planning coordination, and other key issues. Noncompliance with any section of this manual constitutes justifiable cause for withholding or decreasing 9-1-1 funding to these jurisdictions.

With reference to Section 3 of the Report where misclassifications of revenue are discussed, CAPCO did show the 9-1-1 revenue as deferred revenue since GAAP guidelines classify grants as deferred revenue; however, the problem seems to result from categorizing 9-1-1 service fee revenue as a "grant". We have since corrected this and our Annual Financial Report for the fiscal year ending September 30, 1997 reflects all excess 9-1-1 service fee revenue as fund balance; all prior year deferred revenue has been restated accordingly.

CAPCO has also made other internal modifications to financial management systems as a result of the budget overruns we incurred in 1997-98. In an effort to utilize

accumulated 9-1-1 revenues in an aggressive implementation plan to equip our 33 PSAPs, some purchases were made that exceeded budget authorization. CAPCO has since worked with ACSEC to correct and clarify the nonrecurring and monthly recurring costs which caused those overruns.

◆ Concho Valley Council of Governments ◆

In Appendix 2.3 the report lists CVCOG as misclassifying our 9-1-1 fund balance in 1995 by \$576,580. This amount represents the 9-1-1 capital recovery funds held by the Council at the end of that year. We were instructed, in writing, by the ACSEC to report these funds as a "restricted fund balance," which we did. In the subsequent year the ACSEC reversed its instructions to agree with our independent auditor's contention that these funds were more properly classified as "deferred revenues". The classification of these funds as a restricted fund balance in 1995 does not, in our opinion represent a misclassification of 9-1-1 fund balances as your report contends.

◆ Deep East Texas Council of Governments ◆

The following information is submitted in response to items detailed in the discussion draft concerning the audit of the 9-1-1 system.

Response to Recommendations for Sections 2-B, 2-C, and 2-D:

Contract administration standards, monitoring standards, guidance and training through the ACSEC for Council personnel would benefit the 9-1-1 program. DETCOG recognized weaknesses in the procurement process and issued a revised Policies and Procedures Manual effective October 1, 1996. New contracts procured since that date have been in accordance with these procedures. In June, 1996 DETCOG issued a Policy Statement and Standard Procedures for monitoring contracts. Shortly thereafter, the fiscal department experienced a loss of key staff to retirement and resignation. Therefore, this policy was not extended to 9-1-1 program contracts prior to FY1997. During FY1997, addressing contracts were reviewed and one vendor's contracts were cancelled.

Response to Recommendation for Section 3:

During the 1991 annual audit, external auditors advised DETCOG that 9-1-1 service fees collected in excess of expenditures were to be reported as deferred revenues. Consequently for years 1991-1996, service fees were recorded and reported as such on the DETCOG annual report. The COG annual report for FY1997 was prepared in accordance with ACSEC guidelines, which were provided to the Council's finance

director during November, 1996 through August 20, 1997 (FY1997). All direction received has been implemented promptly.

Response to Recommendation for Section 6:

DETCOG has not transferred equipment ownership to PSAPs but rather maintains a vested interest in equipment purchased wholly or partially with 9-1-1 funds. Administrative equipment was last inventoried and reconciled in July, 1997. PSAP level equipment was inventoried, tagged and reconciled in August, 1997. Policies and procedures are in place to assure this occurs prior to the end of each fiscal year.

◆ **Golden Crescent Regional Planning Commission** ◆

Section 2: We have always had contracts with all TELCO's and addressing agents and will implement Service Contracts and Contract provisions and monitoring with guidance from the ACSEC. There has not been any formal monitoring process, but our agency is in the process of implementing monitoring tools for PSAPs, contractors, and addressing agents.

Section 2-A: The GCRPC was not audited under this section.

Section 2-B: GCRPC currently has contracts for both 9-1-1 service provision and rural addressing services. We will continue to strengthen the contracts to include all necessary provisions and adhere to guidelines provided by the ACSEC.

Section 2-D: Informal monitoring is performed at the PSAPs regularly by site visits. The addressing projects are also informally monitored by visiting the addressing agents and contact with TELCOs and post offices. We are currently developing a monitoring tool to conform with ACSEC guidelines.

Section 3: Our Director of Administration follows all guidelines set by the ACSEC. In reference to Appendix 2.3 in which GCRPC reportedly misclassified funds, we show in our 1997 Audit report on pages 28-29 that those funds were restated. The independent auditor contacted ACSEC during the audit process and was giving instructions as to how to list these funds.

Section 6: The equipment at the PSAPs is leased with end-to-end service from the telephone company. We have contracts with all TELCOs and they keep up with the maintenance of the equipment. Voice recorders at the PSAPs were purchased by the county and they were reimbursed. The county is responsible for safeguarding the equipment and for ensuring that there is adequate insurance coverage, and seeing to the routine maintenance. We are in the process of developing a Transfer of Ownership Contract with guidance from the ACSEC. TDDs were purchased by GCRPC and inventory tags are on all of them. This equipment is on our inventory list.

◆ Heart of Texas Council of Governments ◆

The Heart of Texas Council of Governments appreciates the opportunity to respond to your Review of the 9-1-1 system and would like to offer the following comments associated with each section of the document:

Section 2: While the Heart of Texas Council of Governments has executed contracts with local governments for addressing and the provision of 9-1-1 services at the Public Safety Answering Point (PSAP), we will continue to strengthen those contracts in coordination with the Advisory Commission on State Emergency Communications (ASCEC).

Section 2-A: The Heart of Texas Council of Governments submitted a regional addressing plan in the Spring of 1993 to the ACSEC. As part of the addressing project, job descriptions were developed which outlined job duties and responsibilities as well as qualifications for applicants. Throughout the project, completion dates have been modified due to personnel changes and the unanticipated complexity of the project.

Section 2-B: As stated above, HOTCOG has contracts for both addressing and 9-1-1 service. These contracts provided for progress reporting, monitoring from both the ACSEC and HOTCOG, financial monitoring, eligible activities and expenditures, compliance with the Uniform Grant Management standards & all applicable laws/regulations. In FY '98 the contracts were modified to include all provisions stated above as well as specific equipment procurement and maintenance requirements (addressing contract), audit requirements and more detailed default stipulations

Section 2-D: The Heart of Texas Council of Governments routinely monitors the PSAPs and the addressing projects through site visits, contact with the serving telephone company, and oral reports at each 9-1-1 Advisory Committee meeting. In reimbursing the counties for addressing expenses, the county is required to submit forms included in addressing contracts when requesting reimbursement, copies of invoices are required and each request is reviewed for compliance with the contract prior to approval.

Section 3: In the opinion of the independent auditor for HOTCOG, the 9-1-1 revenue, deferred revenue and fund balance information has been presented in accordance with Generally Accepted Accounting Principles (GAAP). It is our understanding that there has been a disagreement of accounting firms and the State concerning the method of reporting deferred revenue. In August, 1997, the ACSEC issued guidance which should clear up any discrepancy in this financial reporting.

Section 6: The Heart of Texas Council of Governments has end-to-end lease agreements with the serving telephone companies in the region and those companies (as part of our contract with them) are responsible for safeguarding the equipment and providing routine maintenance. The

HOTCOG staff have a good working relationship with the serving telephone companies and are notified each time a problem with the equipment is reported by the PSAP. Staff routinely accompany the telephone company repair technician on their maintenance visits.

Voice recorders were purchased in 1991 & 1992 and ownership was transferred in 1993. Within the transfer of ownership contract, the receiving agency is responsible for maintaining property records, ensure adequate safeguards including insurance coverage, accept responsibility for routine maintenance, and reversion of equipment if the receiving agency ceases to act as the PSAP.

◆ Houston-Galveston Area Council ◆

Section 2:

H-GAC will comply with any new contract policies or standards of the ACSEC. Local 9-1-1 service is a partnership between telephone companies that provide necessary services and equipment, and local governments that provide personnel and management of resources. Telephone service standards are described in tariffs that are approved by the Public Utility Commission of Texas (PUC). H-GAC has no authority over services and standards set forth in the tariffs. Additionally, phone companies, as private businesses, are not subject to UGMS regulations. H-GAC does, however, contract with telephone companies via Universal Number Service Agreements.

H-GAC has established interlocal agreements with all cities and counties where 9-1-1 centers are located. The agreements require contractors to:

- provide suitable space for equipment and safeguard it;*
- maintain updated inventory of all equipment;*
- provide 9-1-1 service 24 hours a day, 365 days a year;*
- provide H-GAC with corrected call data within 24 hours of detecting errors;*
- assure no usage of equipment by unauthorized personnel;*
- reimburse H-GAC for equipment damaged by abuse or negligence;*
- maintain insurance on equipment;*
- provide proper documentation for any allowable reimbursement requests;*
- maintain physical security (most sites are law enforcement agencies);*
- secure written permission from H-GAC before disposing of any equipment;*
- provide access for quality control performance monitoring audits which are conducted; and*
- give H-GAC written notice at least 60 days before any termination of contract.*

H-GAC has established a formal risk assessment process for its addressing project, outcome measures, desk reviews of county audits, consideration of monitoring results at contract renewal, requirements for full documentation for requested reimbursements in compliance with UGMS, and monitoring reports for upper

management. Relations with counties engaged in the addressing projects are defined by interlocal agreements as well, and do contain performance standards.

Section 3:

The statement that "fifteen of the twenty-four Councils did not consistently report 9-1-1 revenue in accordance with GAAP for fiscal years 1993 through 1996" is misleading. Prior to 1995, the ACSEC had not provided H-GAC with guidelines on how to report the receipt of revenues. In fiscal years prior to 1996, H-GAC treated 911 moneys received, but unspent as deferred revenues. This GAAP method was clearly stated in the 1995 Comprehensive Annual Financial Report (CAFR).

ACSEC issued new guidance in November 1995. H-GAC applied the new guidance which resulted in the following disclosure being reported in the fiscal year 1996 CAFR as follows:

"Effective January 1, 1996 H-GAC implemented new ACSEC regulations on accounting for 9-1-1 program services. Accordingly, the amount on hand at January 1, 1996 totaling \$853,243, previously reflected as deferred revenues, has been restated as special revenue fund balance."

There are many instances in which an entity may choose from several acceptable alternatives and still comply with GAAP. Because H-GAC chose a GAAP method which differed from the alternative GAAP method proposed by the ACSEC and the SAO would not result in a misclassification in the financial statements. It should also be noted that the guidelines issued by the ACSEC in 1995 were suggested procedures submitted by ACSEC and not a requirement mandated by them. H-GAC made adequate disclosure in the 1993-1996 CAFRs to provide the reader a clear understanding of the financial treatment of 9-1-1 funds.

Section 6:

H-GAC transfers ownership of equipment through signed agreements by both parties, property records are maintained by both parties, inventories are conducted, and all equipment is tagged.

◆ Lower Rio Grande Council of Governments ◆

Section 1: The LRGVDC implemented additional contract monitoring procedures with PSAP'S and Telephone Companies after Overall COG audit conducted by the State Auditor's Office in the summer of 1997.

Section 1-A: The LRGVDC entered into a contract with LANDATA GEO SERVICE to develop the rural addressing plan on August 29, 1994. The total contract amount was \$185,660.00 and the schedule completion date is September 30, 1998. The cost for

the plan is only forty-four (44%) percent of the total budgeted cost, which is also sixty-six (66%) under budget. The delay in completing the plan was the result of under estimation of unaddressed structures. The ACSEC estimated the number of unaddressed structures as 33,000 and the actual number exceeded 65,000. The LRGVDC is in receipt of completed work on a weekly basis from LANDATA and is verifying that the work is complete and accurate. The LRGVDC is also withholding payments to LANDATA until all work is completed. The LRGVDC has an approved rural addressing budget with ACSEC, and it should be noted that, the State Auditors office found no questionable expenditures at the LRGVDC.

Section 1-B: The LRGVDC has continued to strengthen its contract management. All contracts have service provisions and work is not accepted or payment provided until all these provisions are met. Appendix 2.1 is not reflective of LRGVDC's contract management accomplishments.

Section 1-C: The LRGVDC currently has interlocal contracts with all PSAP'S that specify responsibilities of the PSAP'S and LRGVDC as it relates to equipment and operations.

Section 2: The LRGVDC has not treated 9-1-1 service fees as excess funds since the inception of the program. All service fee funds are considered obligated for the program for administrative or capital expenditures and are accounted for accordingly, which meet ACSEC guidelines. In LRGVDC's opinion, this accounting identification is in compliance with proper procedures.

Section 3: Purchased PSAP equipment (voice recorders & TDD's) will be tagged for inventory prior to August 31, 1998. LRGVDC already has executed interlocal agreements with each PSAP ensuring proper use accountability and safeguards for loss (insurance). Additionally, inventory is monitored and verified during each documented monthly PSAP monitoring visit. Appendix 2.5 does not reflect the LRGVDC's true extent of fixed asset controls.

◆ Middle Rio Grande Development Council ◆

As the draft audit relates to the 911 program administered by the Middle Rio Grande Development Council, we would offer the following specific comments and suggestions:

- We have interlocal agreements with each of the PSAP host governments regarding the maintenance and use of the PSAP equipment. In 7 of the 9 counties, the PSAPs are leased from the telephone company under tariff provisions. Ownership remains with the telco, not the PSAP. In the other two*

counties, the PSAPS were purchased, and are carried on the MRGDC property inventory. These booked assets are monitored periodically to check their condition and care as this is required by the interlocal agreements in place.

- With regard to the addressing effort, we employed a single private contractor to conduct all of the field work and gather the data. MRGDC 911 staff verifies and edits the field data for final production of the maps. This effort is currently almost complete, with the final edits on the final two counties to go to the map printer shortly. The effort was completed ahead of schedule and cost less than was originally budgeted. On page 60, Rural Addressing MRGDC should be included with the ATCOG footnote (23). All of our addressing efforts are centralized with one vendor for the entire region. No funds are expended at the county level.
- With respect to financial management and reporting, we have consistently reported promptly and accurately to the ACSEC. Our financial records reflect that we have followed ACSEC policy with the possible exception of the Capital Recovery Fund and its related interest bearing requirement. Any adjustments that are shown in the record were as a result of guidance that we received from the ACSEC staff and/or our external CPA firm. Since the MRGDC does not generate enough funds from the Line Charge revenues to fund the full 911 Administration, we receive supplemental funding from ACSEC surcharge funds. Since the Line Charge revenues are expended before any of the surcharge funds, the year end fund balance in the Line Charge fund account will inevitably be zero.

Finally, while we understand that the audit report needs to make general conclusions about the success of the COG's in the general administration of the 911 resources, we feel we have effectively and efficiently managed the 911 program where the region has been able to benefit substantially from the investment made. In the case of the MRGDC, which was among the last areas to get into the 911 program, we are ahead of schedule for the installation of the system and completion of rural addressing and below the initial five year budget originally adopted and approved by the Commission.

We take great pride in having one of the premier 911 programs in the state, a program that is providing uniform and high quality access to emergency response services to the residents of this region. We feel that the report should reflect the accomplishments of the 911 system as well as the problems and omissions of a few of its local elements.

◆ Nortex Regional Planning Commission ◆

Issue:

The North Texas Regional Planning Commission (Commission) paid \$69,974 to counties for deficient addressing services. Management stated that neither the

Commission nor the counties possessed the expertise to determine the quality of the vendor's performance. No attempt to recoup the funds from the contractors was made.

Response:

In visiting with elected officials of the Counties involved, we have ascertained the contractor in question did produce some 9-1-1 products which include a base map, database records, map books and other items related to the addressing project. Therefore, the total amount of \$69,974 should not be in questioned if any at all. After the counties reviewed the finished product, it was determined there were some inaccuracies with the information relating to the project. Some counties did expect some inaccuracies of the final project. There were some counties that discussed litigation but since the contractor had closed his business, it was deemed to be a fruitless effort and a possible waste of taxpayer's dollars to pursue such a course. Two of the counties did withhold final payment of the contracts once the inaccuracies were discovered.

Issue:

The Commission paid Clay County \$31,577 for addressing services that were not provided. The Commission paid the entire salary and benefits of the County addressing coordinator. The coordinator did not perform any addressing activities.

Response:

In visiting with the county judge of Clay County, he stated there was some work accomplished during this timeframe relating to the 9-1-1 program. The county established the office and hired an employee after it was notified of the counties responsibilities under the 9-1-1 program. The county work progressed less than expected due to slow progression of the contractor in mapping the county. Since the state funding has been exhausted, the county has made a commitment to complete the remainder of the project with local funds. The county elected officials have been informed of the need to accurately record actual time spent on the 9-1-1 program.

Issue:

The Commission reimbursed Montague County employees \$21,985 for rural addressing activities without verifying the validity of the costs. The County routinely receives reimbursement for 5.5 hours each day for the salary of the addressing coordinator, regardless of the amount of time actually spent on rural addressing services. The County Treasurer stated that this method was used to ensure that all of the available addressing funding provided by the Commission is depleted.

Response:

In visiting with the county judge of Montague County, he stated there was some work accomplished during this timeframe relating to the 9-1-1 program. The addressing coordinator of Montague County stated the amount of time she spends on the addressing program for Montague County varies each day. Although she was unable to specify exactly what was the average hours spent on the project overall, it is estimated to be 5.5 hours per day. The county elected officials have been informed of the need to accurately record actual time spent on the 9-1-1 addressing program.

◆ **North Central Texas Council of Governments** ◆

Control Measures

NCTCOG concurs with the State Auditor's Office recommendations and will strengthen 9-1-1 operations control measures by: a) developing contracts in concert with the ACSEC for use in 41 PSAPs (A draft contract was developed in February 1998); b) monitoring for contract, operations, and performance compliance according to standard criterion; c) continuing to provide training to PSAP personnel; d) continuing to meet with participating telephone companies to assess better ways of providing effective service to the 9-1-1 PSAP operators.

Questions Regarding Property Ownership, Inventory, Lost or Stolen Equipment, and Property Records

NCTCOG does not own any 9-1-1 equipment components, but leases all E-9-1-1 services from telephone companies (telcos) through end-to-end service agreements. Telcos inventory and maintain all 9-1-1 CPE 365/366 days a year on a 24-hour basis as per service agreements and/or Public Utilities Commission of Texas (PUCT) approved 9-1-1 tariff. Certain ancillary equipment (voice recorders) funded by 9-1-1 revenues for local governments are on a reimbursement basis and ownership is transferred to PSAP agency. NCTCOG carries out its oversight responsibilities of 9-1-1 operations through regularly scheduled monitoring which includes systems testing, training or retraining of PSAP operators, and assuring that equipment is on site and operating properly.

Rural Addressing

NCTCOG concurs with the recommendation to "develop" a more concise plan for rural addressing projects to accommodate 9-1-1 database requirements. Participating local governments and third-party vendors will be required to meet ACSEC/NCTCOG guidelines prior to receiving funding for such projects.

Financial Controls

NCTCOG concurs with the State Auditor's recommendations for strengthening the control environment and has addressed a majority of the concerns:

- The FY 1997 annual audit was approved by the Board in June. The Financial Status Reports for 1997 have been amended and now tie to the general ledger. The ledger for September 1995, the first month of the 1996 program year, is still missing. NCTCOG initiated a new accounting system in October 1995 and cannot reproduce this general ledger. However, this information can be supported with other documentation.*
- The annual report for fiscal year 1996 restated prior years thereby accounting for the unrecognized revenues in 1993, 1994 and 1995. Revenues will be accurately reported in the future.*
- Both the Director of Administration and the Chief Accountant positions are now filled which will facilitate the timely resolution of outstanding issues.*
- All quarterly reports for FY 1998 are up to date. A statement of revenues, expenditures, and changes in fund balance will be included in the annual report, as will a supplemental schedule reflecting a reconciliation of the final FSR to the annual report. The Advisory Commission's financial reporting guidelines are being implemented.*
- NCTCOG will ensure that entities receiving 9-1-1 funds directly for addressing are required to submit financial reports to substantiate those receipts. Contracts will require financial records access.*
- All other findings are under review and will be addressed in an expeditious manner.*

◆ Panhandle Regional Planning Commission ◆

Thank you for the opportunity to review and respond to the draft of the State Auditor's Office audit of the 9-1-1 system in Texas. My response is categorized in five topical areas as discussed below:

Planning:

The draft audit report states that neither the Advisory Commission on State Emergency Communications (ACSEC) nor the COG's have implemented planning processes for the expenditure of 9-1-1 program funds.

Response: The Panhandle Regional Planning Commission (PRPC) has had a regional 911 Network Strategic Plan in place since 1989. The addressing initiative

has been a component of that process since its inception as an activity. Since 1989, the Panhandle Regional 911 strategic planning process has resulted in PRPC staff's preparation of 4,125 pages of planning documentation. The Plan and subsequent Plan updates and amendments have been submitted and approved by the ACSEC in August 1989, August 1991, January 1992, March 1992, November 1992, September 1993, January 1994, January 1995, March 1995, April 1996, July 1996 and July 1997.

Contract Administration:

The draft audit report states that none of the 24 COGs have "adequate" contracts for 911 services and equipment expenditures in fiscal year 1997.

Response: The PRPC has at all times had necessary and what we believe to be adequate contracts or appropriate agreements in place with the ACSEC, participating local governments and involved telephone companies for 9-1-1 services and addressing activities. Copies of all such contracts are available for inspection.

In the case of the PRPC, it is important to keep two facts in mind regarding contract services:

1. Funds do not flow from PRPC to local governments for the delivery of 9-1-1 services. Such services are procured and paid for by the PRPC on behalf of the area's participating local governments as per previously referenced agreements between the Planning Commission and those local governments; and

2. Addressing services are rendered directly by PRPC staff. Funds do not flow to either local governments or private vendors for such direct addressing services. Therefore, contract performance measures with local governments and addressing vendors, as suggested in your audit report, are largely not applicable or appropriate in our environment.

PRPC does contract with local telephone companies for certain 9-1-1 services. Such contracts include detailed scopes of services, due dates and anticipated costs. In addition, telephone companies are required to attend monthly meetings with PRPC 9-1-1 staff during the course of any major implementation activities.

PRPC does reimburse local governments (counties) for certain eligible, documented local addressing project support costs. Such costs may include partial compensation for time, travel and materials supplied by the particular local government. Per our addressing project contracts, the participating local governments agree to "submitting to PRPC monthly records of personnel and material costs related to the addressing/mapping programs". Any such addressing project support costs were documented and verified prior to any reimbursement to local governments by the PRPC.

Contract Monitoring:

The draft audit report states that "none of the Councils have implemented a formal monitoring process for 911 service provision and rural addressing services carried out by local governments and private contractors".

Response: The PRPC, as stated earlier, has never asked local governments or private contractors to provide direct rural addressing services. Therefore, there are no addressing services to monitor.

9-1-1 service monitoring visits are routinely made of the Panhandle's 24 public safety answering points by PRPC staff to ensure the equipment is operating properly and 9-1-1 services are being provided. A copy of the monitoring instrument is available for inspection.

The ultimate "monitoring process" for 9-1-1 service is conducted by the general public when 9-1-1 calls are made and answered. The fact that any resident in the area served by the Panhandle Regional 9-1-1 Network can pick up a telephone anytime 24 hours a day, 7 days a week, 365 days a year; dial 9-1-1; and receive appropriate assistance is the strongest evidence possible that the system is working.

Financial Reporting:

The draft audit report states that "15 of 24 Councils did not consistently report 911 revenue in accordance with generally accepted accounting principles" and that "financial statements include misclassifications for revenue, deferred revenue and fund balances".

Response: In the opinion of the PRPC's independent auditor and management, the Planning Commission has reported all 9-1-1 revenue in accordance with generally accepted accounting principles (GAAP). There are clearly interpretive differences among CPAs, auditors, and accountants regarding appropriate presentation techniques involving excess 9-1-1 service fees over expenditures. These interpretive differences resulted in ACSEC issuing recommended guidelines in November 1996. Up to that time, PRPC relied upon its independent auditor and its accounting staff as to the correct interpretation of GAAP.

The PRPC's interpretation resulted in a difference in 1993 of \$11,917 being reported as deferred revenues instead of a fund balance. First, \$11,917 is less than 3% of the total revenues for the 9-1-1 program in 1993 and is not a material amount. Second, this difference would not have misled a financial statement user as to the financial condition of the 9-1-1 program as either presentation would have represented to the user that \$11,917 of funding designated for future use in the program.

Equipment Controls:

The draft audit report states that “none of the 24 Councils have adequate controls to ensure that all equipment... is safe-guarded”.

Response: Neither the Panhandle Regional Planning Commission nor the participating local governments own the primary 9-1-1 service equipment. Such equipment is owned and maintained by the telephone companies serving the particular public safety answering point under contractual agreements with the PRPC. Therefore, no inventory exists and no inventory control is required.

The ownership of obsolete computer and voice recording equipment originally purchased by PRPC and used in the initial operations of the Panhandle Regional 9-1-1 Network in the early 1990s has been formally transferred to local governments and is no longer the responsibility of the PR PC.

The PRPC currently owns voice recording equipment located at the area’s public safety answering points. These recorders are labeled with PRPC inventory control tags. A member of the PRPC finance department staff performs a physical audit of the recording equipment on an annual basis.

The PRPC has provided sign-making equipment and certain global positioning satellite equipment to be used at the county level for addressing maintenance purposes. Ownership of these items as well as signs, signposts, and brackets has been transferred to the appropriate local government. Ownership transfer documents are available for inspection.

In summary, the PRPC acknowledges the challenge the State Auditor’s Office had in the preparation of a single report to reflect the operations of 24 separate political sub-divisions and one state agency. The PRPC is concerned, however, that such a consolidated report could easily cause the report’s users to be misled about the specific practices of any single organization such as the PRPC.

Thank you again for the courtesy afforded us to review and respond to the draft audit report.

◆ Permian Basin Regional Planning Commission ◆

With regard to findings specific to PBRPC, your finding on Page 3, “PBRPC excess balance of addressing funds”, we have written to all our cities and counties requesting an itemized expense report for all addressing expenditures. If we find that there are any unused funds, we will ask for it to be returned for reallocation.

Regarding addressing equipment being located in the personal residence of the 9-1-1 coordinator of Glasscock County, the residence is adjoining the Sheriff’s Office which is the site of the Public Safety Answering Point (PSAP). This residence serves as the off hours answering point in order to have 24 hour coverage. With reference to the

most recent addressing data being found was February 16, 1994, the addressing computer was not purchased until January 1996. All current data will be entered into the computer once the digital maps are complete.

◆ Rio Grande Council of Governments ◆

Generally, the Rio Grande Council of Governments was pleased to note that no findings applicable to our conduct of the 9-1-1 program in Far West Texas were cited. Other than the minor caveats expressed below on particular citations affecting our program in the report, we have no comments on its findings. We do, however, have significant concerns over its overarching recommendation. Our major concern with the report is its major recommendation for the application of more stringent oversight by ACSEC in the routine operation of the 9-1-1 program by our regional councils of government. While a number of its findings around the state, if substantiated, are a matter of concern for administrators and taxpayers, its recommendations for increased oversight and the application of more numerous and more stringent rules by ACSEC would prove counterproductive in the long run. In our experience, the Commission is cognizant of the diversity of conditions found in the various regions of the state, and further they understand that the political and economic cultures vary from region to region and even from county to county within regions. A one-size-fits-all approach-as recommended in the report-seems likely to result in an increase in reporting and specious paperwork, and unlikely to further the mission and objectives we jointly are attempting to attain.

Section 2-B:

RGCOG is cited as not having a formal addressing plan. In fact, we have consistently followed the addressing plan contained within the annual Strategic Plan which we prepare and the Commission approves. As a surcharge area, however, we are dependent on funding which of late has been less than that which we requested. We estimate that we are a year behind in signing our region, but on target to substantially complete the addressing by August 31, 1998. Further, as is demonstrated by the Addressing Worksheets we submitted, we are under budget in all counties due to insufficient funds to allocate to this aspect of the program. We request that Appendix 2.2 be amended to reflect this.

Section 2-D:

This section is overly broad and does not accurately reflect our regional program. In fact, we do regularly monitor the services provided by our 9-1-1 dispatchers, and do provide technical assistance and training on a periodic basis. We also work with the county personnel to assure that the services contracted for in the contracts we have with the telephone companies are timely, effective, and within the parameters established by our contractual relationship.

We also have an established procedure for quality assurance in our addressing program. We work closely with county administrations, utility companies, other service providers, and individual citizens throughout our region to assure the efficacy of our addressing program.

Section 6:

We disagree with the audit statement that our 9-1-1 property is not properly accounted for and safeguarded. Our contracts with the telephone companies are in line with the applicable guidelines from the Commission, and all property is inventoried twice yearly.

We disagree with the audit statement that we own the assets in the PSAPs. Due to the daunting distances involved in our regions, we decided at the onset of the program to lease most equipment from the telephone companies to obviate the necessity of providing maintenance and repairs to that equipment. Other than recorders and pagers, we do not own that equipment. We do, on a quarterly basis, inspect the equipment and do a weekly call-around to our dispatch supervisors to assure that all equipment is functioning correctly and that services from the contractors is timely and effective. Our inventory records reflect accurately the location and status of the recorders and pagers.

◆ **South East Texas Regional Planning Commission** ◆

I am pleased for the opportunity to review the draft audit report of the 9-1-1 system and provide comment on behalf of the South East Texas Regional Planning Commission 9-1-1 Emergency Network. As brought to our attention during the on-site audit, we are in the process of completing a draft of an interlocal agreement for execution with the counties in our region and the individual PSAPs. This agreement sets forth the responsibilities of each party involved as well as establishes ownership of the PSAP 9-1-1 equipment. Additionally, an Alternative Local Exchange Carrier (ALEC) agreement is in the final stages of development for use with phone carriers other than the Local Incumbent Carrier who seek to provide service within our region.

In regards to the lack of a monitoring process, we have a limited and informal process for monitoring the functionality of PSAP equipment through the use of site visits, testing and daily test procedures initiated by PSAP personnel. While we are currently reviewing various examples of monitoring instruments, I would like to see the ACSEC develop reasonable, uniform and comprehensive contract monitoring standards, guidance, and training for all COGs as noted in the audit report. This would allow for a formal and standardized monitoring system.

The 9-1-1 Emergency Network has tried to follow and comply with the Advisory Commission's financial reporting guidelines from the beginning of our 9-1-1 program, however, this has proved difficult due to the lack of consistency in reporting procedures.

◆ South Texas Development Council ◆

The South Texas Development Council will comply and implement any and all policies, standards and guidelines promulgated by The Advisory Commission on State Emergency Communications. All of the agency's business is performed in compliance with the Uniform Grant Management Standards, all applicable federal, state and local laws as well as with generally accepted accounting principles.

We would like to note the following in response to issues noted in the report.

"... the Councils did not ensure that local governments and contractors possessed adequate expertise to perform rural addressing activities prior to providing funds."

When our Committee chose the contractor who performed our project, the STDC did contact his references which were other projects he had performed. To perform addressing maintenance, the contractor trained personnel at the local level.

"Fifteen of the twenty-four Councils did not consistently report 9-1-1 revenue in accordance with generally accepted accounting principles (GAAP) for fiscal years 1993 through 1996."

The STDC strives to comply with generally accepted accounting principles in the conduct of the agency's business. On November 18, 1996, the ACSEC provided written guidance with respect to 9-1-1 revenues to be reported as fund balances and not deferred balances. Upon receiving this communication, STDC immediately complied as reflected in the report.

◆ Texoma Council of Governments ◆

Texoma Council of Governments appreciates the opportunity to provide this response to the draft audit of the 911 System.

1. Due to the integral involvement of the counties, the COGs were too removed from the rural addressing contractor selection process as well as program monitoring. TCOG reimbursed \$57,637.24 to three counties for deficient rural addressing services provided by a private contractor. The counties determined the work completed by the contractor was unacceptable, and the contracts were subsequently terminated. Subsequent to the field work performed by the State Auditor's Office, TCOG's Governing Board has written each of the counties to request that they proceed with legal counsel to recover 911 rural addressing funds based on the contractor's non performance and breach of contract.

2. The annual financial status report (FSR) did not reconcile to the 911 program revenue, expenditures, and fund balance reported in the Comprehensive Annual Financial Report as a result of the accounting entries dictated by the Advisory Commission regarding the capital recovery account. A new directive has been issued,

and TCOG's Comprehensive Annual Financial Report for the period ended April 30, 1998, will correct this situation.

3. The telephone equipment located at the Public Safety Answering Points (PSAPs) is leased from the telephone companies; therefore this equipment has been correctly omitted from inventory listings. Other equipment, such as computers, plotters, pagers, etc. purchased with 911 funds will be added to the appropriate inventory lists.

The issues regarding contract administration and monitoring will be responded to upon receipt of specific instructions and model documents from the Advisory Commission.

◆ West Central Texas Council of Governments ◆

1. Did not establish a Planning Process for Addressing
2. None of the Councils have formal Monitoring Process

(Both questions answered together)

Addressing Cost Estimate Worksheets for each county were completed when addressing funds became available. These reports listed detailed expenditures needed to complete the addressing project. On a quarterly basis, Addressing Project Financial Reports are updated to reflect the most recent fund balance for each county. We monitor the addressing status for each county on a Matrix Report (COG Addressing Status Report) updated quarterly. County PSAP's are upgraded to the ANL/ALI level of service when a 98% addressing accuracy rate is reached. This, in turn, creates a weekly monitoring dialogue between our addressing coordinators and the county addressing coordinators as well as the Telco's.

3. Financial Reports have been "Misclassified"

No findings from the West Central Texas Council of Governments.

4. Equipment Ownership & Safeguards

The PSAP equipment is leased from the Telcos, and is not purchased by the COG. A toll free phone number has been provided by the Telco's to report equipment problems. County addressing project equipment (laptop computers and printers) purchased by the COG will be transferred to the county level of ownership. We will work with the ACSEC to develop acceptable ownership contracts.

Objectives, Scope, and Methodology

Objectives

Our objectives were to:

- Conduct a financial audit of the 911 emergency service fees and equalization surcharges collected by the Advisory Commission on State Emergency Communications and the Councils of Government. (The General Appropriations Act, 75th Legislature, requires the State Auditor's Office to complete this objective.)
- Determine the adequacy of selected management controls over the 911 service. (Management controls are the policies, procedures, and processes used to carry out an organization's objectives. They should provide reasonable assurance that goals are met, assets are safeguarded and efficiently used, reliable data is reported, and laws and regulations are complied with.)
- Determine the efficiency of the current 911 statewide administrative system. (The system includes the Advisory Commission, Emergency Communication Districts, Councils of Government, and Home-Rule Cities. These entities administer the Public Safety Answering Points located throughout the State.)

Scope

The scope of the audit included on-site reviews of the Advisory Commission and the Councils. The reviews included consideration of the financial reporting process, equipment procurement policies, contract management, performance management, fixed asset management, and oversight.

We reviewed the detailed financial records of the Advisory Commission and the Councils. We performed a limited review of the annual financial reports of the Emergency Communication Districts and Home-Rule Cities.

The Advisory Commission's equipment policy and procedures were reviewed. The consideration of contract administration included a review of contract provisions and monitoring procedures.

The performance measure data collected by the Councils was reviewed. The Advisory Commission's collection and reporting process was reviewed. The Councils' fixed asset policies and procedures were reviewed. Fixed asset testing was performed at the Councils and the public safety answering points. We reviewed applicable state statutes in our consideration of the Advisory Commission's oversight responsibilities.

We considered the functions, organizational structures, and expenditures of the statewide 911 administrative system.

Methodology

The audit methodology involved:

- Collecting information on statewide 911 system operations
- Performing audit tests, analyses, and other procedures
- Evaluating the information against established criteria
- Reviewing statutes; new legislation; appropriation riders; and agency policies, procedures, and plans
- Interviewing management and staff
- Gaining an understanding of key processes and controls through testing or other means
- Analytical reviewing of financial data

Specific procedures included:

- The regional consolidation methodology included a detailed examination of the administrative functions of the Councils and Districts. A comparative analysis of administrative costs was conducted. A review of job requirements was performed. Job descriptions, titles, reporting responsibilities, salaries, and benefits were examined. Duplicative positions were identified by region. Other variable administrative costs were identified.
- To estimate equipment costs, we reviewed the Advisory Commission's Strategic Plan for years 1999, 2000, and 2001. We isolated equipment costs and identified the number of Answering Points administered by the Councils. We also obtained concurrence of reasonable equipment costs from selected Districts. We calculated the number of Answering Points that would be necessary under each scenario and then calculated the estimated cost savings based on the excess number of Answering Points and the estimated annual equipment costs. We reviewed sample data to determine the cost percentage of call taker/dispatcher salaries. Using the estimated equipment cost savings, we then extrapolated the estimated personnel cost savings. Certain assumptions were used in the methodology.

Other Information

- Fieldwork was conducted from November 1997 through July 1998. The audit was conducted in accordance with Generally Accepted Government Auditing Standards.

The following members of the State Auditor's staff performed the audit work:

- Clint Loeser, CPA (Project Manager)
- Michael C. O'Connor, CPA (Assistant Project Manager)
- Ruben Juarez
- Jennifer Jupe
- Nikki Raven
- Beverly Schulke, CPA
- Stacey Williams
- Sin-Leng Wong, CPA
- Bruce Truitt, MPAff (Quality Control Reviewer)
- Susan Riley, CPA (Audit Manager)
- Craig Kinton, CPA (Audit Director)

Supplemental Information

Appendix 2.1:

Contract Administration

Council of Governments (COGs)	911 Service Contract	Addressing Contract	Contract Provisions ²⁰	Contract Monitoring ²¹
Alamo Area Council of Governments	Yes	Yes	No	No
Ark-Tex Council of Governments	Yes	Yes	No	No
Brazos Valley Development Council	Yes	Yes	No	No
Capital Area Planning Council	Yes	Yes	No	No
Central Texas Council of Governments	Yes	Yes	No	No
Coastal Bend Council of Governments	Yes	No	No	No
Concho Valley Council of Governments	Yes	Yes	No	No
Deep East Texas Council of Governments	No	No	No	No
East Texas Council of Governments	No	Yes	No	No
Golden Crescent Regional Planning Commission	No	Yes	No	No
Heart of Texas Council of Governments	Yes	Yes	No	No
Houston-Galveston Area Council	Yes	Yes	No	No
Lower Rio Grande Valley Development Council	Yes	Yes	No	No
Middle Rio Grande Development Council	Yes	Yes	No	No
NorTex Regional Planning Commission	No	No	No	No
North Central Texas Council of Governments	Yes	Yes	No	No
Panhandle Regional Planning Commission	No	Yes	No	No
Permian Basin Regional Planning Commission	Yes	Yes	No	No
Rio Grande Council of Governments	Yes	N/A ²²	No	No
South East Texas Regional Planning Commission	No	Yes	No	No
South Plains Association of Governments	Yes	Yes	No	No
South Texas Development Council	No	Yes	No	No
Texoma Council of Governments	No	No	No	No
West Central Texas Council of Governments	Yes	No	No	No

²⁰ None of the Contracts reviewed included all provisions. However, some contracts did include some of the required provisions.

²¹ None of the Councils has implemented a formal monitoring process. However, some councils do perform informal monitoring.

²² The Rio Grande COG employees performed all addressing functions. Therefore, no addressing contract was necessary.

Appendix 2.2:
Rural Addressing

Council of Governments (COGs)	Selected For Testing	COG had Formal Addressing Plan	COG Adequately Monitored Addressing	There was Expertise at County Level
Alamo Area Council of Governments	Yes	No	No	No
Ark-Tex Council of Governments	Yes	No	No	N/A ²³
Brazos Valley Development Council	No	N/A	N/A	N/A
Capital Area Planning Council	No	N/A	N/A	N/A
Central Texas Council of Governments	No	N/A	N/A	N/A
Coastal Bend Council of Governments	Yes	Yes	No	No
Concho Valley Council of Governments	No	N/A	N/A	N/A
Deep East Texas Council of Governments	Yes	No	No	No
East Texas Council of Governments	Yes	No	No	No
Golden Crescent Regional Planning Commission	No	N/A	N/A	N/A
Heart of Texas Council of Governments	No	N/A	N/A	N/A
Houston-Galveston Area Council	Yes	No	No	No
Lower Rio Grande Valley Development Council	Yes	No	No	N/A ²⁴
Middle Rio Grande Development Council	Yes	No	No	No
NorTex Regional Planning Commission	Yes	No	No	No
North Central Texas Council of Governments	Yes	No	No	No
Panhandle Regional Planning Commission	No	N/A	N/A	N/A
Permian Basin Regional Planning Commission	Yes	No	No	No
Rio Grande Council of Governments	Yes	No	N/A ²⁵	N/A ²⁵
South East Texas Regional Planning Commission	Yes	No	No	No
South Plains Association of Governments	No	N/A	N/A	N/A
South Texas Development Council	Yes	No	No	No
Texoma Council of Governments	Yes	No	No	No
West Central Texas Council of Governments	Yes	No	No	No

²³ Expertise at the county level was irrelevant at Ark-Tex COG because all addressing efforts were centralized, with one vendor providing addressing for the entire region.

²⁴ Expertise at the county level was irrelevant at the Lower Rio Grande Valley Development Council because all addressing activities were regionalized.

²⁵ The Rio Grand COG performed all addressing activities at the COG level, with its own personnel. Thus, it was not necessary to provide any type of monitoring or ensure that there was expertise at the county level.

Appendix 2.3:
Financial Reporting

Council of Governments (COGs)	1993		1994	
	Reported Fund Balance	Mis-classification	Reported Fund Balance	Mis-classification
Alamo Area Council of Governments	\$ 0	\$ 0	\$ 0	\$ 0
Ark-Tex Council of Governments	0	734,163	0	590,292
Brazos Valley Development Council	0	273,835	0	318,571
Capital Area Planning Council	910,380	4,709,174	1,230,056	6,489,099
Central Texas Council of Governments	0	313,021	0	547,181
Coastal Bend Council of Governments	2,401,540	0	2,560,481	0
Concho Valley Council of Governments	0	0	0	0
Deep East Texas Council of Governments	0	951,105	0	799,366
East Texas Council of Governments	0	0	0	0
Golden Crescent Regional Planning Commission	0	0	67,275	0
Heart of Texas Council of Governments	0	111,989	0	226,780
Houston-Galveston Area Council	0	910,162	0	1,270,333
Lower Rio Grande Valley Development Council	0	1,082,615	0	1,384,977
Middle Rio Grande Development Council	0	706	0	29,576
NorTex Regional Planning Commission	15,133	0	57,242	0
North Central Texas Council of Governments	0	1,110,804	0	1,589,920
Panhandle Regional Planning Commission	0	11,917		0
Permian Basin Regional Planning Commission	0	0	0	0
Rio Grande Council of Governments	0	0	0	0
South East Texas Regional Planning Commission	1,006,750	0	1,153,733	0
South Plains Association of Governments	2,123	0	0	0
South Texas Development Council	0	276,335	0	392,235
Texoma Council of Governments	439,182	0	41,027	0
West Central Texas Council of Governments	1,267,908	0	1,274,883	0
Adjustment		-706		-29,576
Total	\$ 6,043,016	\$ 10,485,120	\$ 6,384,697	\$13,608,754
Percentage of Misclassification		173.51%		213.15%

Council of Governments (COGs)	1995		1996	
	Reported Fund Balance	Mis-classification	Reported Fund Balance	Mis-classification
Alamo Area Council of Governments	\$ 0	\$ 0	\$ 0	\$ 0
Ark-Tex Council of Governments	0	730,197	410,092	0
Brazos Valley Development Council	0	267,161	3,900	267,161
Capital Area Planning Council	1,761,608	7,901,434	2,396,937	9,409,625
Central Texas Council of Governments	0	476,670	686,727	0
Coastal Bend Council of Governments	2,372,605	0	2,445,060	0
Concho Valley Council of Governments	576,580	576,580	0	0
Deep East Texas Council of Governments	0	1,072,089	0	1,227,418
East Texas Council of Governments	0	0	106,046	106,046
Golden Crescent Regional Planning Commission	63,611	0	233,556	198,429
Heart of Texas Council of Governments	0	32,599	0	148,892
Houston-Galveston Area Council	0	520,918	970,051	0
Lower Rio Grande Valley Development Council	0	961,428	0	2,002,744
Middle Rio Grande Development Council	0	56,183	0	0
NorTex Regional Planning Commission	118,446	0	280,749	0
North Central Texas Council of Governments	0	1,969,243	2,695,143	0
Panhandle Regional Planning Commission	0	0	0	0
Permian Basin Regional Planning Commission	0	0	0	0
Rio Grande Council of Governments	0	0	0	0
South East Texas Regional Planning Commission	1,478,418	0	1,321,997	0
South Plains Association of Governments	544,082	0	0	0
South Texas Development Council	0	410,599	426,567	0
Texoma Council of Governments	93,383	0	33,791	0
West Central Texas Council of Governments	326,042	0	220,165	0
Adjustment		-632,763		-327,879
Total	7,334,775	14,342,338	\$12,230,781	\$13,032,436
Percentage of Misclassification		195.54%		106.55%

Financial Reporting Guidelines

Council of Governments (COGs)	Guidelines Followed
Alamo Area Council of Governments	No
Ark-Tex Council of Governments	No
Brazos Valley Development Council	No
Capital Area Planning Council	No
Central Texas Council of Governments	No
Coastal Bend Council of Governments	Yes
Concho Valley Council of Governments	Yes
Deep East Texas Council of Governments	No
East Texas Council of Governments	No
Golden Crescent Regional Planning Commission	No
Heart of Texas Council of Governments	No
Houston-Galveston Area Council	No
Lower Rio Grande Valley Development Council	Yes
Middle Rio Grande Development Council	No
NorTex Regional Planning Commission	No
North Central Texas Council of Governments	No
Panhandle Regional Planning Commission	Yes
Permian Basin Regional Planning Commission	No
Rio Grande Council of Governments	Yes
South East Texas Regional Planning Commission	No
South Plains Association of Governments	Yes
South Texas Development Council	No
Texoma Council of Governments	No
West Central Texas Council of Governments	Yes

Appendix 2.5:
Fixed Assets

Council of Governments (COGs)	Ownership COG or Public Safety Answering Point (PSAP)	Transfer of Ownership ²⁶	Control Assessment Completed ²⁶	Control Weaknesses Identified
Alamo Area Council of Governments	PSAP	No	No	Yes
Ark-Tex Council of Governments	PSAP	No	No	Yes
Brazos Valley Development Council	PSAP	No	No	Yes
Capital Area Planning Council	COG	N/A	N/A	Yes
Central Texas Council of Governments	PSAP	No	No	Yes
Coastal Bend Council of Governments	COG	N/A	N/A	Yes
Concho Valley Council of Governments	None	No	No	Yes
Deep East Texas Council of Governments	PSAP	No	No	Yes
East Texas Council of Governments	PSAP	No	No	Yes
Golden Crescent Regional Planning Commission	PSAP	No	No	Yes
Heart of Texas Council of Governments	PSAP	Yes	No	Yes
Houston-Galveston Area Council	PSAP	Yes	No	Yes
Lower Rio Grande Valley Development Council	PSAP	No	No	Yes
Middle Rio Grande Development Council	PSAP	No	No	Yes
NorTex Regional Planning Commission	PSAP	No	No	Yes
North Central Texas Council of Governments	PSAP	No	No	Yes
Panhandle Regional Planning Commission	PSAP	Yes	No	Yes
Permian Basin Regional Planning Commission	PSAP	Yes	No	Yes
Rio Grande Council of Governments	COG	N/A	N/A	Yes
South East Texas Regional Planning Commission	COG	N/A	N/A	Yes
South Plains Association of Governments	PSAP	No	No	Yes
South Texas Development Council	PSAP	No	No	Yes
Texoma Council of Governments	PSAP	No	No	Yes
West Central Texas Council of Governments	COG	N/A	N/A	Yes

²⁶ Transfer of ownership and a control assessment were not applicable if the COG owned the equipment.

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