

EXECUTIVE DIGEST

COMMERCIAL MOBILE RADIO SERVICE EMERGENCY TELEPHONE FUND

INTRODUCTION

This report contains the results of our financial audit* of the Commercial Mobile Radio Service* (CMRS) Emergency Telephone Fund, Department of Treasury, for the period October 1, 1999 through September 30, 2000.

AUDIT PURPOSE

This financial audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Financial audits are conducted at various intervals to provide for enhanced financial reporting of significant State programs and/or activities and to complement the annual audit of the State's financial statements. Also, this audit complements the departmentwide financial audit. This audit is required annually by Section 484.1407 of the *Michigan Compiled Laws*.

BACKGROUND

The CMRS Emergency Telephone Fund was created to provide money to implement the Federal Communications Commission's (FCC's) wireless emergency service order. In 1996, the FCC adopted an order requiring local exchange carriers to provide enhanced 911 service to all customers by October 2001. Enhanced 911 service

provides for the identification of a caller's location and telephone number. Applicable parts of Sections 484.1101 - 484.1717 of the *Michigan Compiled Laws* (Act 32, P.A. 1986) were amended by Act 78, P.A. 1999, and Act 79, P.A. 1999, to provide for wireless emergency service and establish the Emergency Telephone Service Committee. Section 484.1408 of the *Michigan Compiled Laws*, which established the service charge of 55 cents, is repealed, effective January 1, 2004. The remainder of Act 32, P.A. 1986, is repealed, effective December 31, 2006.

The CMRS Emergency Telephone Fund was established as several subfunds within the General Fund. The Department of Treasury is responsible for collecting, distributing, and investing the funds. The Michigan Department of State Police is responsible for priority issues of 911 coverage and providing staff assistance to the Committee. The Committee is responsible for developing Statewide standards and model system considerations and making other recommendations for emergency telephone services.

Funding for the CMRS Emergency Telephone Fund is provided by CMRS suppliers* from charges to CMRS users*. CMRS users are each charged 55 cents a month by their CMRS supplier. The CMRS suppliers remit the funds collected from the users to the Department of Treasury on a quarterly basis. The Department of Treasury then distributes the funds to the CMRS suppliers, counties, public service answering points*, and the Michigan Department of State Police as provided in the *Michigan Compiled Laws*.

For fiscal year 1999-2000, CMRS Emergency Telephone Fund revenue was \$17.6 million and expenditures were \$8.0 million.

AUDIT OBJECTIVES
AND CONCLUSIONS

Audit Objective: To assess and report on the CMRS Emergency Telephone Fund's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the financial schedules and on its internal control* over financial reporting, based on our audit of the financial schedules.

Conclusion: Our assessment of compliance did not disclose any instances of noncompliance that could have a direct and material effect on the financial schedules. Our assessment of internal control disclosed two material weaknesses*:

- The Department of Treasury did not process CMRS Emergency Telephone Fund year-end closing transactions in accordance with generally accepted accounting principles (GAAP) and Department of Management and Budget (DMB) procedures. This resulted in an overstatement of expenditures of \$5.0 million and an understatement of revenue of \$2.5 million. (Finding 1)
- The Department of Treasury's reconciliation of CMRS supplier collections needs to be completed in a more timely manner to provide an accurate recording of revenue. This resulted in an understatement of revenue of \$2.6 million and an understatement of expenditures of \$1.2 million. (Finding 2)

Audit Objective: To audit the CMRS Emergency Telephone Fund's financial schedules for the fiscal year ended September 30, 2000.

Conclusion: We expressed an unqualified opinion* on the CMRS Emergency Telephone Fund's financial schedules. The financial schedules included in this report have been corrected for the misstatements identified in the findings, in accordance with approval from the DMB Office of Financial Management.

AUDIT SCOPE

Our audit scope was to examine the financial and other records of the Commercial Mobile Radio Service Emergency Telephone Fund for the period October 1, 1999 through September 30, 2000. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

AGENCY RESPONSES

Our audit report contains 2 findings and 2 corresponding recommendations. The Department of Treasury's preliminary response indicated that it agreed with the findings and will comply with the recommendations.