



## **EXECUTIVE SUMMARY**

### **Guam Fire Department's Enhanced 911 Emergency Reporting System Fund Report No. 10-06, October 2010**

The operation and maintenance of Guam's 911 Emergency System is funded by a monthly surcharge of no more than one dollar on residential and commercial telecommunications accounts established through public law. The Public Utilities Commission (PUC) is mandated to establish and monitor the collection of the surcharge. Telecommunications service providers are responsible for collecting and remitting the surcharge, after deducting a portion of the surcharge to cover their administrative costs, to the Department of Administration (DOA) for deposit into the Guam Fire Department's (GFD) Enhanced 911 Emergency Reporting System Fund (E911 Fund). Our audit of the E911 Fund revealed the following for the period between October 1, 2005 and September 30, 2009.

#### **Lack of Effective Monitoring**

The PUC did not fully meet its legally mandated responsibilities to monitor the collection and remittance of E911 surcharges to ensure the accuracy, completeness, and timeliness of service providers/collectors. This resulted in \$724,404 of unreconciled and under-reported E911 revenues. The loss of revenue could potentially be higher because PUC relies heavily on the honesty and integrity of service providers to collect and remit E911 surcharges without independent review or verification.

In our previous audit of the E911 Fund conducted in December 2003, we reported that neither GFD nor DOA monitored the completeness or accuracy of the service provider remittances. This report concludes that the PUC did not effectively monitor the E911 revenues and collections. The continued lack of monitoring and coordination with DOA heightens the risk of further revenue loss for the E911 Fund. As indicators of the lack of effective oversight and monitoring, we found that:

1. E911 surcharge remittances were not verified upon receipt;
2. Quarterly reports were not reviewed for accuracy and completeness;
3. No independent audits of E911 remittances were performed;
4. Annual E911 surcharge reports were late as much as 68 to 570 days;
5. Annual report recommendations were not implemented; and
6. Little guidance was provided to service providers.

#### **Excessive Guam Service Provider Administrative Costs**

Local service providers charged from 3% to as much as 31% for administrative costs. In contrast, administrative costs among stateside service providers range from 1% to 5%. On average, local service providers retained approximately 12% of E911 surcharge fees. For FY 2009, administrative costs retained by the service providers totaled \$138,984, or \$11,582 a month. Advances in technology can minimize these costs, particularly for those providers with large customer bases. Of the \$10.9 million (M) surcharge revenues collected from fiscal years 2000 to 2009, service providers held on to \$1.2M (11%). PUC did not audit service providers' accounts

or examine these costs. Initial set-up costs totaled \$561,827, administrative costs were \$618,042, and PUC regulatory expenses were \$45,260.

### **Antiquated E911 System**

Of the \$4M E911 Emergency Reporting System Fund expenditures between FY 2006 and FY 2009, GFD used \$2.7M (66%) for the salaries of E911 personnel and \$153,559 (only 4%) on equipment. As a result of this limited capital spending on equipment, Guam's emergency response system is antiquated and incompatible with modern technology. GFD continues to operate E911 emergency management services with the same E911 system purchased in the late 1990s and has not submitted annual E911 assessment reports since 1999. Such reports would inform decision makers about the system's operating condition and needs. For example, while the current E911 system is capable of identifying caller location for landline calls, it is unable to determine locations for callers using a wireless cell phone, a function now available using current technology.

### **Other Matters**

In December 2007, PUC requested for their consultant to review whether Voice over Internet Protocol (VoIP) service providers are required to collect the E911 surcharge. The consultants responded that an amendment to existing law would likely be necessary to require VoIP providers to collect the surcharge. PUC is of the position that GFD should initiate any legislative changes to the E911 surcharge.

### **Conclusion and Recommendations**

The E911 system plays a critical role in the health, safety, and welfare of our community and needs adequate funding for competent personnel and a system compatible with current technology to maintain its effectiveness and preserve the public's faith in its reliability. It is incumbent upon PUC to be proactive in ensuring that the government receives all the revenues to which it is entitled. Despite the PUC's contention that it does not have the expertise to monitor the E911 Fund, P.L. 28-44 clearly states, "The Commission shall monitor the collection of the surcharge." Our recommendations include for the (1) PUC to monitor the surcharge collection and require regular audits of service providers' reported access lines, and (2) GFD to submit its annual E911 assessment reports.

In March 2005, the former PUC Chairman acknowledged that PUC is responsible under the law to monitor the collection activities of the monthly surcharge and "for remitting these collections to DOA." In connection with this audit, PUC Legal Counsel has stated from the outset that the PUC is not the appropriate entity to monitor and review E911 activities. The PUC Legal Counsel and Administrator generally concurred with our conclusion that PUC did not fully meet its legally mandated responsibility to monitor the fund. However, the PUC management response, prepared by the consultants, substantially disagreed with the audit report and took a legalistic position asserting that since PUC has no authority with the fund's budget, they are not the appropriate entity to monitor collections of the surcharge. Given their position, the risk of the lack of effective monitoring over the fund is heightened. Therefore, the legislature should contemplate which appropriate entity should carry out the monitoring function of the E911 Fund to ensure that the government receives all the revenues it is entitled.

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