

**Guam Fire Department
Enhanced 911 Emergency Reporting
System Fund**

**Performance Audit
October 1, 2005 through September 30, 2009**

**OPA Report No. 10-06
October 2010**



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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.

Doris Flores Brooks, CPA, CGFM
Public Auditor



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Introduction

This report presents the results of our performance audit of the Guam Fire Department's Enhanced 911 (E911) Emergency System Fund between October 1, 2005 and September 30, 2009. This audit was conducted as part of the Office of Public Accountability's (OPA) efforts to examine special revenue funds and revenue enhancement opportunities.

Our audit objective was to determine whether the government is receiving all E911 surcharges to which the government is entitled pursuant to public law as paid by subscribers and remitted via telecommunication service providers.

The scope, methodology, and prior audit coverage are detailed in Appendices 2 and 3.

Background

A 911 Emergency System provides the public with rapid and direct telecommunication access to public safety and emergency response agencies. The 911 system for Guam was established under the auspices of the Office of Civil Defense by Public Law (P.L.) 21-61 in 1991. In 1996, P.L. 23-77 transferred the system to the Guam Fire Department (GFD). In 1999, P.L. 25-55 (E911 Act) authorized the 911 surcharge specifically to fund a more enhanced emergency system with the technology, equipment, and personnel necessary to improve the service. The E911 Act also established the Enhanced 911 Emergency Reporting System Fund (E911 Fund) and authorized the Public Utilities Commission (PUC) to establish a monthly surcharge rate not to exceed one dollar (\$1.00) per access line, up to 25 lines per account.

P.L. 25-55 required GFD to annually produce an assessment report on the enhanced system, "to include the number and types of calls received; the number and types of emergencies in which emergency personnel were dispatched; deficiencies, if any, in the system compared to other operations in the United States mainland; new system or equipment changes that will be made or required in the future; and any other information that is useful in evaluating the effectiveness of the "911" system."

P.L. 28-44 required PUC to submit annual reports detailing the receipts, collections and amounts of the surcharges to the Governor, the Legislature, and the Public Auditor within 60 days of the end of the fiscal year. PUC's consultant prepares these annual reports and is also contracted to provide services relative to E911 matters.

Revenues generated from the E911 Fund are appropriated annually and are legally required to be used by GFD's Emergency 911/Fire Dispatch Division, responsible for the operations, maintenance, and administration of the E911 system. The division is a 24-hour

operation and is currently manned by 24 certified Emergency Medical Dispatchers (EMD) scheduled on three eight-hour shifts. In FY 2009, the division handled over 58,886 calls for fire, police, medical, and other emergencies.

E911 Surcharge Collection and Remittance Process

Under the E911 Act, Guam's telecommunication businesses are responsible for collecting the E911 surcharge and remitting their collections to the Department of Administration (DOA) no later than 45 days after the end of the month in which the amount is collected. They must identify the surcharge as a separate line item in their invoices. The law also authorizes service providers to deduct the expenses they incur for collecting the surcharges and other activities related to their responsibilities. Hence, administrative costs incurred by service providers are deducted from the surcharges they collect, and the net amount is then remitted to DOA.

There are six local telecommunication service providers on Guam of which four collect and remit the monthly E911 surcharge¹ while two do not. The monthly surcharge, currently set at the maximum \$1 rate, is charged to their respective landline, postpaid, and prepaid subscribers.

- Landlines are accounts for regular wired telephone service. The surcharge is limited to the first 25 access lines per account.
- Postpaid accounts are wireless service accounts that are billed monthly according to service options and use.
- Prepaid accounts are those that require advanced and continuing payments to maintain service. Codes on cards of various prices and numbers of activation minutes must be purchased and entered into the communication device. The E911 surcharge is assessed monthly for every active prepaid account and not by the number of prepaid cards bought or loaded into the account.

¹ Between October 2005 and September 2009.

Results of Audit

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. Based on our audit, we calculated questioned costs totaling \$724,404 for the period between October 1, 2005 and September 30, 2009, as follows:

- \$618,681 of questioned costs were associated with the unreconciled difference between what service providers reported to the PUC and what was ultimately remitted to DOA;
- Three of the four service providers did not remit surcharges totaling \$95,508;
- One service provider collected but did not remit \$8,413 in surcharges; and
- Another service provider retained \$1,802 for administrative costs in excess of the agreed upon amount.



Image 1: Call takers manually record all 911 calls into log books as shown. If an inquiry is made about a certain case, the cases are to be looked up in the designated log book which is inefficient and time consuming.

The loss of revenue could 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. The potential additional revenues from effective monitoring could provide more funding to better meet the needs of the public and help upgrade the antiquated E911 system.

Lack of Effective Monitoring

Government agency management's duty is to ensure that adequate checks and balances, i.e. internal controls, are established so that the goals and objectives of their organization are met and resources are safeguarded and used economically and efficiently. Diligent monitoring is a key element of internal controls. Monitoring by management helps prevent and detect fraud, abuse, and other irregularities. Employees and vendors are less likely to commit fraud if they know that discrepancies do not escape management attention.² The continued lack of monitoring and coordination between PUC, GFD, and DOA heightens the risk of lost revenues for the E911 Fund.

² An Elected Official's Guide to Internal Controls and Fraud Prevention, Government Finance Officers Association.

P.L. 28-44 directed the PUC to monitor the collection of the surcharge. In testimony supporting passage of the legislation, the Public Auditor pointed out that OPA's 2003 audit of the E911 Fund found that neither GFD nor DOA effectively monitored surcharge remittances, and an estimated \$950,000 of potential revenue was likely lost. Seven years later, and despite the mandate, E911 surcharges are still not effectively monitored. In 2003, PUC's then chairman stated that the commission had authority to audit agents and would do so, if reasonable and necessary. In March 2005, the former PUC Chairman acknowledged that PUC is responsible under P.L. 25-22 with monitoring the collection activities of the telephone companies, who are responsible for collecting the surcharge per month from their customers and "for remitting these collections to DOA."

In connection with this audit, the commission's legal counsel has stated from the outset that the PUC may not be the appropriate entity to monitor the Fund because it was not within the PUC's expertise and regulatory purview. However, we believe that until the monitoring responsibilities are designated by law to another entity, the PUC remains responsible for these tasks.

With regards to E911 surcharge monitoring, we found the following deficiencies:

1. E911 surcharge remittances were not verified upon receipt;
2. Accuracy and completeness of quarterly reports were not reviewed;
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.

Receipt of E911 Surcharge Remittances Not Verified

PUC relies on the integrity of service providers to submit true and accurate surcharge collections without independent review or verification. DOA's Acting Controller and the Accounting Manager indicated that the PUC has yet to inquire into the E911 surcharges remitted by service providers.

There is little to no communication between PUC and DOA to verify the accuracy of remitted surcharges. Such structural breakdown can lead to an environment where "everyone is responsible" but "no one is responsible," and in such case it is often difficult to monitor accountability.³

Verification of E911 Revenues

We calculated E911 Fund revenues that should have been remitted between fiscal years 2006 and 2009 by obtaining information from the quarterly reports service providers submitted to PUC. Based on our calculation of the total lines reported, three providers did not remit \$95,508⁴ to the E911 Fund. This amount could potentially be higher because two

³ *Ibid.*

⁴ Excludes service providers identified during our audit.

service providers were not remitting the monthly surcharge and the number of access lines has never been independently verified. PUC simply relies on service providers' honesty. In addition, we identified two other service providers also required to assess, collect, and remit E911 surcharges, but during our audit, we learned that they have not.

Both DOA and GFD officials expressed concern over the accuracy and completeness of the E911 surcharge remittances. There is evidence of some monitoring of E911 surcharges by DOA. In May 2010, DOA's Director wrote correspondence informing a service provider of 911 surcharges owed. The provider responded that it would start remitting the surcharge on or after July 2010, when they become a licensed and responsible carrier for paying the 911 surcharge. In addition, a DOA Accountant asked PUC for a list of service providers in August 2010 so that DOA could start monitoring E911 remittances. As of the issue date of this report, PUC has yet to provide DOA with the list. We commend DOA for taking this initiative.

Service Provider Assessing the E911 Surcharge but Not Remitting to DOA

One service provider told us that the PUC did not provide sufficient guidance regarding their responsibility as collection agents of the E911 surcharge. The provider has assessed its subscribers the surcharge since October 2008, but has not yet remitted the collections to DOA. According to the company president, their customer base is small and the cost of

billing and collecting the surcharge exceeds what they collect. Thus, they retain the surcharges to recover their administrative costs.

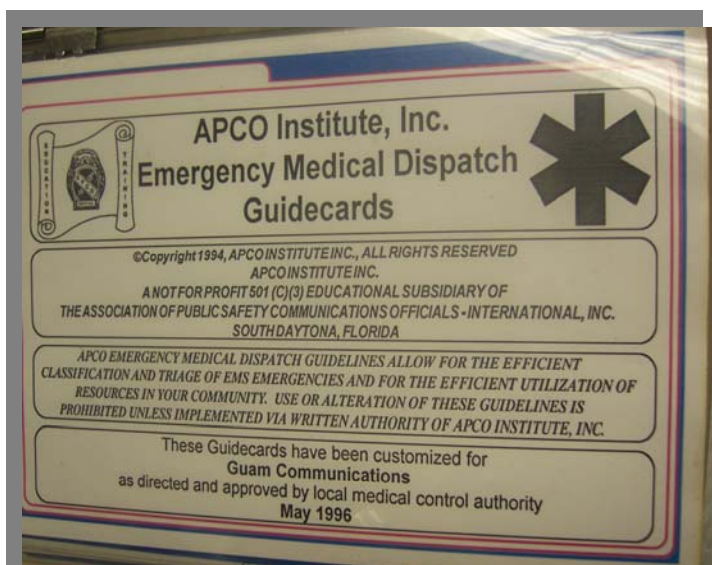


Image 2: Those taking the phone calls do go through training, however supplies and tools on hand are obsolete. As shown in the picture, the Emergency Medical Dispatch Guidecards are dated May 1996.

According to the company president, as of June 2010, they collected \$8,413 in surcharges, but spent \$9,450 doing so.⁵ We informed the company president that a petition for administrative services should be submitted for PUC's approval before E911 surcharges can be retained. We notified the PUC of this matter and they have contacted the provider. In September 2010, the PUC and service provider are reviewing the surcharge collections and administrative expenses.

The PUC should provide better guidance to newly licensed Local Exchange Carriers (LES) and Commercial Mobile Radio Services (CMRS) as to their responsibilities as collection agents of the E911 surcharges.

⁵ We did not verify the service provider's figures.

E911 Surcharge Payments Not Consistently Applied to Appropriate Month

The Treasurer of Guam did not consistently apply payments to the appropriate months, thus we were unable to verify whether all four service providers remitted E911 payments between fiscal years 2006 and 2009 within the 45-day deadline. In our limited review of the fourth quarter in FY 2009, we found that two service providers remitted their E911 payments to DOA on time. The remaining two providers did not have complete records to indicate whether payments were remitted and on time.

To promote more effective monitoring of timely collections, we recommended that the Treasurer of Guam instruct cashiers to input the applicable month for which providers remit E911 payments. The Treasurer of Guam implemented our recommendation in August 2010.

Accuracy and Completeness of Quarterly Reports Not Reviewed

The PUC Administrator stated that she does not review the accuracy and completeness of the quarterly reports submitted by service providers or confirm the amounts remitted by service providers with DOA. PUC allows service providers up two months after the end of each quarter to submit their quarterly reports. Upon submission, the PUC sends the reports to its consultants for compilation of the E911 surcharge annual report. The information in the quarterly reports is not independently verified before inclusion in the surcharge annual report.

We attempted to reconcile the amounts service providers reported to the PUC against the amounts remitted to DOA. However, we were unable to do so and found unreconciled differences with DOA records totaling \$618,681 or 37% of the \$1.7 million (M) surcharges reported in FY 2009. In addition, we wrote to the service providers for confirmation and their responses also did not reconcile with DOA's revenue receipts, as illustrated below:

- Provider A reported remitting \$2.4M, but DOA records indicate only \$2.3M was received, approximately \$75,000 (K) less.
- Provider B reported remitting \$1.8M, but DOA records indicate \$1.9M was received, about \$110K more.
- Provider C reported remitting \$907K, but DOA records indicate \$929K was received, about \$22K more.
- Provider D reported remitting \$461K, but DOA records indicate only \$433K was received, approximately \$28K less.

The PUC's legal counsel stated that the PUC might not be the appropriate monitoring entity. The administrator, the PUC's only full-time employee, expressed concern about not being equipped or capable of overseeing the E911 surcharges remittances. However, we believe the administrator could be tasked to review and reconcile the reports since there are only a few service providers and the work should not be too laborious.

No Independent Audits of E911 Remittances

E911 revenues averaged \$1.1M annually, but the PUC has not conducted or contracted audits of the numbers of access lines maintained by the respective service providers. Such audits would provide verifiable evidence of the amount of E911 surcharges each provider should remit. The PUC is authorized by law to contract for the professional services it may need to meet its responsibilities, including the auditing of E911 surcharge collection and disbursement activities. Instead, it has been PUC's practice to meet with providers when considered necessary to address a specific question or need. According to the commission's legal counsel and consultant, they have used this process in lieu of expensive detailed additional reports and audits, unless there is a specific need.

PUC does not maintain a database of the service providers' access lines that can be reconciled to provider reports and project E911 surcharge revenues. PUC-prepared statistical data of telephone subscribers is non-existent. Without accurate and complete data, the PUC cannot determine whether service providers are over- or under- remitting surcharges. Under present law, it is PUC's responsibility to ensure that data provided by the service providers are complete and accurate.

We recommend the PUC regularly contract for independent third party audits of the service providers' access lines, which are used in determining the E911 surcharge amounts to be remitted by service providers.

Annual E911 Surcharge Reports Not Submitted Timely

By law, the PUC is required to submit annual surcharge reports to the Governor, the Speaker of the Guam Legislature, and the Public Auditor within 60 days of the end of the fiscal year. These reports have been chronically late, from as much as 68 days to 570 days. The first E911 surcharge annual report that covered FY 2005 was submitted on June 16, 2006, or 198 days after the November 30, 2005 due date. PUC officials stated that the delays were due to the service providers not submitting their quarterly reports on time.

PUC files indicate that notices to submit quarterly reports were issued to service providers, but the notices were ignored. We found that service providers generally submit their reports when PUC consultants start compiling the annual E911 surcharge report. The providers claimed they do not receive copies of the annual reports, and the PUC Administrator confirmed that copies were not regularly provided.

At the beginning of this audit, the PUC had yet to submit annual reports for fiscal years 2008 and 2009, but made considerable efforts to obtain delinquent quarterly reports from service providers. As a result of those efforts, the annual surcharge reports were issued in June 2010 and copies were subsequently provided to all service providers.

Recommendations from Annual Surcharge Reports Not Implemented

The PUC does not routinely follow up on the implementation of annual surcharge report recommendations. We noted that the same findings were repeated year after year, demonstrating the lack of communication between the PUC and the service providers. The

recurring findings include inconsistent reporting formats among service providers, late submission of their quarterly reports and late remittance of surcharges to DOA.

In June 2010, the PUC asked the providers to note the recommendations pertaining to their companies, to take appropriate action by the end of September 2010, and to provide assurances to the PUC that action had been taken.

Although several laws grant the PUC with enforcement powers and authority to impose penalties, even upon telecommunication companies that violate PUC rules and regulations, the commission instead opts to work with violators. Despite the recurring findings noted in the annual reports, no company has ever been fined for noncompliance and failure to correct repeated violations. According to PUC's legal counsel and consultants, attempts are made with service providers to resolve compliance issues.

We acknowledge that the law makes no provision for varying degrees of violation, thus the maximum fine of \$1,000 for each violation may be unreasonable. We recommend the PUC establish a penalty schedule based on the type and degree of service provider infraction.

More Guidance Needed

Representatives of all six service providers expressed their desire for the PUC to provide more guidance and quicker feedback about their responsibilities as E911 surcharge collection agents. One service provider representative pointed out that when their Commercial Mobile Radio Service (CMRS) license was issued in 2010, it was another service provider -- not the PUC -- that informed them of the E911 surcharge collection requirements.

Excessive Guam Service Provider Administrative Costs

Under P.L. 25-55, service providers can deduct from the E911 remittances their reasonable expenses for collecting the surcharge. The petitions for reimbursement had to be filed and approved by the PUC before May 1, 2003.⁶ Service providers could off-set the following:

1. Initial set-up costs incurred prior to April 2003 to launch surcharge collection. These costs include billing protocol programming, billing platform upgrades, etc. PUC refers to these expenses as historic collection costs.
2. Administrative costs incurred monthly for billing and collecting the surcharge, maintaining and delivering the customer database, etc.
3. Expenses incurred by the PUC in conducting regulatory activities with regard to the E911 surcharge. A service provider was designated responsible for paying these expenses.

Over 10 years, service providers retained \$1.2M (11%) of the \$10.9M E911 revenues for initial set-up and administrative costs. Of the \$1.2M, \$561,827 was initial set-up costs and

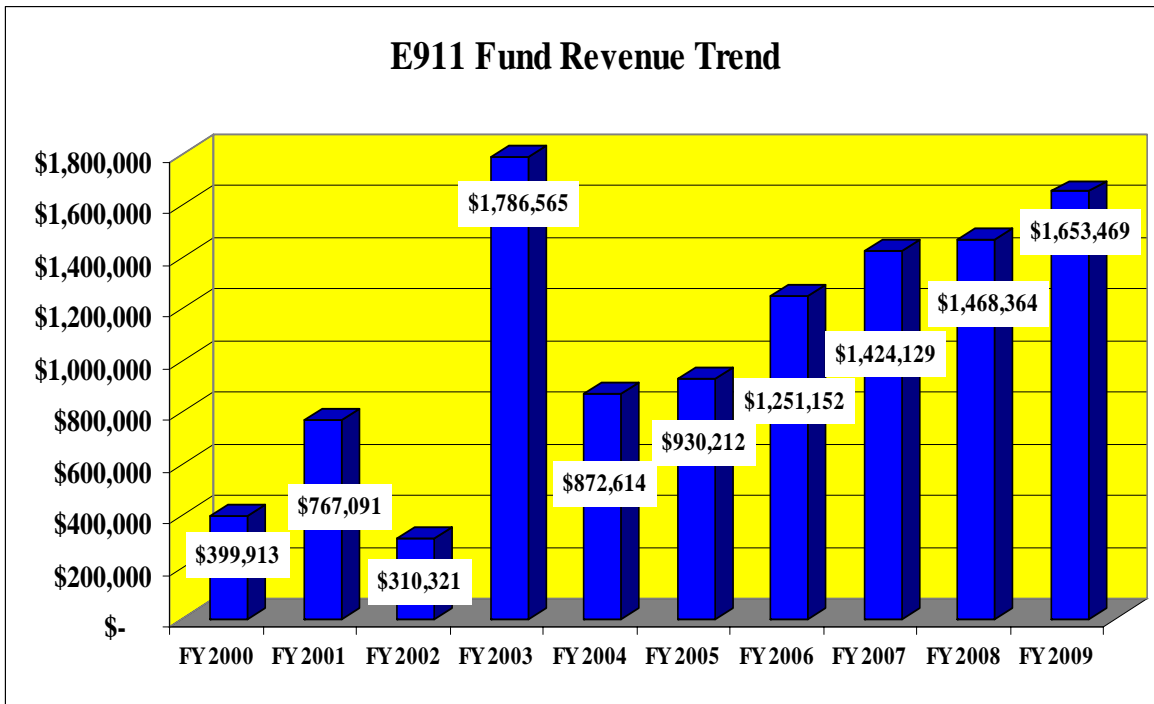
⁶ PUC Docket 99-10 dated April 11, 2003 Reimbursement Protocol Order.

\$618,042 was administrative costs. For FY 2009, retained administrative costs were approximately \$138,984, or \$11,582 a month.

E911 Fund Revenue Trend

Remittances from service providers are recorded by DOA and deposited into the E911 Fund, which was established by P.L. 25-55 as the funding source for the E911 system. GFD’s Emergency 911/Fire Dispatch receives annual appropriations from the E911 Fund for operating and maintaining the 911 system. The \$1 monthly E911 surcharge became effective in November 1999. Between fiscal years 2000⁷ and 2009, \$10.9M has been deposited into the E911 Fund.

In FY 2002, revenues dropped dramatically, from \$767,091 to \$310,321, because service providers were not remitting surcharges to DOA. The PUC subsequently initiated regulatory action against the service providers, prompting a surge of \$1.5M in remittances in FY 2003 to \$1.8M. In FY 2004, revenues dropped again, to \$872,614. According to the PUC, the drop was due to the commission’s approval of service provider reimbursement petitions for historical costs. FY 2003 revenues do not reflect administrative costs providers retained; these costs are reflected starting in FY 2004. See Chart for the trend.



Guam Service Provider Administrative Costs above U.S. Mainland Rates

Based on the PUC approved reimbursement orders, we calculated that service providers retained \$1.2M; \$561,827 for initial set-up reimbursements between fiscal years 2004 and 2005, and \$618,042 for reimbursed administrative costs for fiscal years 2006 through 2009.

⁷ The 11 months of FY 2000 applied.

Our research of service provider costs in other states found that costs ranged from a low of 1% in Texas to a high of 5% in North Dakota. New York City and Pennsylvania providers charged 2%. Administrative costs in Guam are higher than in mainland states and inconsistent.

On average, local providers retained approximately 12%. The surcharge amounts retained for administrative costs ranged from a low of 3% to a high of 31%, or from \$813 to \$7,393 a month. For every surcharge dollar remitted, the E911 Fund received a high of 97 cents to a low of 69 cents. Guam administrative costs are not a standard formula or percent, but were determined in 2003 based on costs incurred by collection agents of the 911 surcharge. See Table 1 for illustration.

Table 1: Administrative Costs Retained by Service Providers per Fiscal Year

	Service Provider	2006	2007	2008	2009	Average	Average Surcharge Received on the \$1
1	A	17%	15%	15%	15%	15%	\$0.85
2	B	No Data ⁸	3%	3%	3%	3%	\$0.97
3	C	21%	31%	22%	8%	20%	\$0.80
4	D	10%	8%	8%	8%	9%	\$0.91

On average, we found the following:

- Provider A retained 15% of the gross E911 fees they collected -- three times more than the 5% high range of the mainland states.
- Provider B's costs were 3%, comfortably within the stateside 1% to 5% range.
- Provider C retained 20% for administrative costs -- four times the 5% high range.
- Provider D's administrative costs were 9%, almost twice the 5% high range.

The administrative costs authorized by the PUC have not been revised since initial adoption in April 2003. The documents we reviewed contained no evidence that the PUC negotiated cost reimbursement requests with providers. Advancements in technology can and should minimize administrative costs, particularly for providers with large customer bases. We recommend the PUC establish a standard formula to equitably determine allowable administrative costs, as well as conduct an audit of past cost reimbursements to determine whether they should be re-evaluated, adjusted, and brought more in line with stateside ranges.

Our review of the quarterly reports at PUC revealed that, between FY 2006 and FY 2009, service providers were generally withholding the authorized administrative costs. However, we noted five instances in which one provider withheld a total of \$1,802 more than it should have retained.

⁸ The FY 2006 information for this provider was not available.

Administrative Costs Incurred by Service Providers and PUC Not Recorded by DOA

DOA records the net amounts of the E911 surcharge received from service providers, but does not record the providers' administrative cost deductions and the PUC's regulatory expenses. Only GFD's expenditures, incurred to manage the E911 system are recorded. The PUC's expenses are paid by a specified service provider.⁹ The PUC's Legal Counsel explained that the arrangement was made because this provider was the only landline provider with the largest customer base at that time. According to PUC officials, the arrangement continues to avoid any payment delays. This practice remains in place. Between FY 2006 and FY 2009, the PUC's expenses totaled \$45,260.

To ensure a more accurate analysis of the E911 funding program, DOA should record total gross revenues and costs, including provider expense deductions. Because providers are allowed to net administrative costs, DOA has been recording revenues net of expenses. Proper accounting requires that revenues be recorded gross and that a separate line item be made for any expenses. We recommend PUC and DOA coordinate the recording of both administrative costs and revenues gross, and not net, to properly account for all costs associated with E911 operations.

Antiquated E911 System

Guam's E911 system was purchased in the late 1990s, but was not installed until 2001 and has not been upgraded since. Because the system equipment and technology is old and antiquated, the risk of 911 services failing is high. The E911 Call Center is located at the Civil Defense Headquarters in Agana Heights. It is Guam's only Public Safety Answering Point (PSAP), and serves as a 24-hour communications facility that receives and evaluates calls and dispatches police, fire, and/or ambulance services.

The current system can identify the location of landline calls, but cannot pinpoint the location of callers on cell phones. Cell phone callers must describe their location to the best of their ability, which may delay emergency responders. The E911 system lacks a back-up access line. GFD officials confirmed that in the past, the E911 system's access line had been disconnected



Image 3: The E-911 Call Center consists of four units and six E911 phone lines, which is located in the Office of Civil Defense building in Agana Heights.

⁹ Refer to PUC Order, dated June 2002, for this designation.

accidentally during construction when they were located in Tiyan, although calls were immediately directed to the remote center – the Tamuning Fire Station.

According to the E911 Supervisor, the current facility is significantly smaller than the Tiyan location, but added that they anticipate building a new E911 call center and equipping it with six stations in anticipation of the military build up. The current facility is operating with four stations.

E911 Fund Expenditures Mainly for Personnel

The E911 Emergency System Report System Fund was established to fund the “just and reasonable expenses of operating and maintaining the "911" system, which shall be the responsibility of the Guam Fire Department... and provide a source of funding for costs associated with an enhanced “911” Emergency Reporting System.”

Between fiscal years 2006 and 2009, GFD expended \$2.7M (66%) of the \$4M E911 revenues to pay for salaries and wages of E911 personnel (see Table 2 for illustration). Only \$153,559 (4%) was spent on equipment and \$688,702 (17%) other expenditures to include utilities, communication services, and supplies. Without newer, state-of-the-art tools and technology, Guam’s E911 system remains outdated.

Table 2: E911 Fund Expenditures

Fiscal Year	Salaries & Benefits	Contractual Services	Equipment	Others¹⁰	Expenditures
2006	\$ 464,613	\$ 121,135	\$ 6,720	\$ 338,723	\$ 931,191
2007	\$ 787,324	\$ 124,283	\$ 7,499	\$ 116,320	\$ 1,035,426
2008	\$ 748,068	\$ 154,325	\$ 85	\$ 119,444	\$ 1,021,922
2009	\$ 670,780	\$ 127,457	\$ 139,255	\$ 114,215	\$ 1,051,707
TOTAL:	\$ 2,670,785	\$ 527,200	\$ 153,559	\$ 688,702	\$ 4,040,246
Percent:	66%	13%	4%	17%	100%

Lack of E911 Annual Assessment Report

GFD has not submitted an annual E911 assessment report as required by P.L. 25-55. The report should include the following information:

- The number and types of calls received;
- The number and types of calls for which emergency personnel were dispatched;
- Noted deficiencies in the system, if any, compared to other operations;
- System and/or equipment changes that will be made or required in the future; and
- Any other useful information in evaluating the effectiveness of the E911 system.

The required annual assessment reports provide GFD the opportunity to describe the problems the program has experienced or foresees, the adverse affects of not upgrading the

¹⁰ Includes utilities, communication services, and supplies.

system, the changes in technology, and the equipment upgrades needed to improve the system. We recommend GFD comply with the E911 Act and submit yearly E911 system assessment reports.

Historical Data Not Generated

According to the E911 Supervisor, the existing system is not compatible with current technology nor can it generate historical data, such as call types and response times. The information is important for incident analysis, for improved emergency time reports, and for federal grant applications. We observed that EMDs manually record emergency calls and that the system cannot assign case numbers for consistent and efficient reference by police, fire, and hospital personnel.

Non-compliant with FCC Wireless Regulations

GFD has yet to fully implement Phase 1 of the Federal Communications Commission's (FCC) two-phase application requirement for wireless services:

- Phase 1: Requires wireless carriers to identify the phone number and cell phone tower used by callers, within six minutes of a request by a PSAP.
- Phase 2: Requires wireless carriers to provide more precise information, specifically, the latitude and longitude of the caller within 300 meters, within six minutes of a request by a PSAP.

The Fire Chief said the request for the E911 system upgrade was eliminated from GFD's annual budget because of the Bureau of Budget Management and Research's budget cap. In May 2010, a senator from the 30th Legislature introduced Bill 393-30 for the appropriation of \$1.2M to GFD for the purchase and installation of a new E911 system.

Other Matters

Emerging Technology for Potential E911 Surcharge on VoIP Technology

An emerging trend in the telecommunication industry is the Voice over Internet Protocol (VoIP, or Voice over IP), which allows individuals to speak with each other over a broadband internet connection. FCC regulations require VoIP vendors to allow 911 calls.

In December 2007, PUC had requested for their consultant to review whether VoIP local service providers are required to collect the E911 surcharge under existing Guam Law. The consultants concluded that "an amendment to existing Guam law would likely be necessary to require VoIP providers... to collect an E911 surcharge" and recommended that the PUC urge the utilities chair of the Guam Legislature to introduce new legislation for such purpose.

However, PUC is of the position that GFD should initiate any legislative changes to the E911 surcharge. We believe that it is also incumbent upon PUC to ensure that it takes into account the government's interest in generating potential revenues. We recommend PUC,

in coordination with GFD, assess and determine the feasibility of charging VoIP customers the E911 surcharge.

Potential Overpayment of E911 Surcharges

The lack of verification may have led to an overpayment of \$300,000 by one service provider. The company's Chief Operating Officer claims that, in December 2009, when their Code Division Multiple Access (CDMA) system switched to a Global System for Mobile Communications (GSM) system, their billing system double-counted customers that were moved from CDMA to the GSM system and the surcharge was inadvertently remitted twice.

We brought this matter to PUC's Legal Counsel, who said PUC could do nothing until the service provider files an official complaint. It is the service provider's responsibility to reconcile and inform PUC and DOA of any amount discrepancies remitted. We concur that the burden of proof lies with the service provider to dispute discrepancies.

Conclusion

Although P.L. 28-44 directed the PUC to “monitor the collection of the surcharge,” the PUC did not fully meet its legally mandated responsibilities to ensure the accuracy, completeness, and timeliness of E911 surcharge remittances made by service providers. We found lack of effective monitoring, which resulted in \$724,404 of unreconciled and under-reported E911 revenues. Further, due to limited funding for capital expenditures, the E911 system remains antiquated and requires excessive manual data entry. The lack of a back-up access line increases the risk of 911 callers not getting the assistance they seek.

The PUC continues to rely heavily on the honesty and integrity of the service providers to remit accurate amounts and to retain accurate and allowable administrative costs. At a time when the government of Guam needs to increase its revenue base, the PUC should be proactive about ensuring that the government receives all the revenues to which it is lawfully entitled.

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.

The PUC’s Legal Counsel maintains that the PUC may not be the appropriate entity to monitor the E911 fund as it lacks the expertise and regulatory purview. Until P.L. 28-44 is amended and transfers the monitoring function to another entity, PUC remains charged with the obligation to monitor E911 surcharge collections and remittances. Given the revenue potential of the E911 surcharge, and the likelihood of expansion resulting from the impending military build-up and growth in the telecommunications industry, Guam should be and must be able to afford, operate, and maintain a reliable E911 System. It is incumbent upon PUC to be proactive in ensuring that the government receives all the revenues to which it is entitled, and to ensuring that the costs associated with the E911 surcharge are reasonable and equitable.

Audit Recommendations

Public Utilities Commission

1. Comply with P.L. 28-44 to monitor the collection of the surcharge remitted by service providers. PUC's monitoring should include, at the minimum, the following:
 - Quarterly review of service providers' reports to ensure that information provided is reasonable and complete;
 - Coordinate with DOA to verify surcharge remittances made by service providers;
 - Establish a system of regular communication to provide better guidance to newly licensed Local Exchange Carriers (LEC) and Commercial Mobile Radio Services (CMRS) of their responsibilities as collection agents of the E911 surcharges; and
 - Establish penalty schedule based on the type and degree of infraction.
 - Establish a standard formula to equitably allocate administrative costs.
2. Regularly contract for independent third party audits of the service providers' access lines, which are used in determining the E911 surcharge amounts to be remitted by service providers. The audit should also include, at the minimum, review of past cost reimbursements to determine whether they should be re-evaluated, adjusted, and brought more in line with stateside ranges.
3. Coordinate with DOA to forward all E911-related expenses, to include service providers' and PUC-related administrative costs, to properly account for all costs associated with E911 operations.
4. In coordination with GFD, assess and determine the feasibility of charging VoIP customers the E911 surcharge.

Guam Fire Department

5. Comply with P.L. 25-55 by submitting to the Governor and the Speaker a yearly assessment report on the E911 system. The annual assessment report should provide information on the state of the E911 system, changes in technology, and risks or potential concerns that the program has experienced or foresees, such as the need to upgrade the current E911 system.

Treasurer of Guam

6. Record in the point-of-sale system the period of the month for which the E911 surcharge remittance is applicable. This recommendation was implemented in August 2010.

Management Response & OPA Reply

A draft report was transmitted to PUC, GFD, and DOA on October 4, 2010, for their official responses. In October 2010, we met individually with officials from these agencies to discuss the audit findings and recommendations. GFD and DOA generally concurred with the audit findings and recommendations. See Appendix 6 for GFD's management response. DOA did not provide its management response.

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. Based on our October 7, 2010 meeting, the PUC Legal Counsel and Administrator generally concurred with our conclusion that PUC did not fully meet its legally mandated responsibility to monitor the E911 Fund. The Legal Counsel made several suggestions and comments to the draft report, and we amended the report where appropriate. However, the October 15, 2010 management response we received from PUC substantially disagreed with the audit report findings and recommendation. The 13-page response was prepared by PUC's consultants, which took a very legalistic position that PUC is not the appropriate entity to monitor the E911 Fund as "*it is not logical to continue to require the PUC to be responsible for monitoring and auditing of a fund over which it has no authority or control.*" Given their position, the risk of the lack of effective monitoring over the E911 Fund is heightened. 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 to which it is entitled, and that the costs associated with the E911 surcharge are reasonable and equitable. See Appendix 5 for PUC's management response.

The legislation creating OPA requires agencies to prepare a corrective action plan to implement audit recommendations, to document the progress of the implementation of the recommendations, and to endeavor to have implementation completed no later than the beginning of the next fiscal year. Accordingly, our office will be contacting PUC and GFD to establish target dates and titles of officials responsible for implementing the recommendations.

We appreciate the cooperation and assistance shown by officials from the Public Utilities Commission, Guam Fire Department, Department of Administration, Treasurer of Guam, and local telecommunications service providers.

OFFICE OF PUBLIC ACCOUNTABILITY



Doris Flores Brooks, CPA, CGFM
Public Auditor

Appendix 1:
Classification of Monetary Amounts

	Questioned Costs	Other Financial Impact
No Monitoring Performed		
Receipt of E911 Surcharge Remittances Not Verified Accuracy and Completeness of Quarterly Reports Not Reviewed	\$ 103,921 ^A	\$ -
No Independent Audits of E911 Remittances Annual E911 Surcharge Reports Untimely Recommendations from Annual Reports Not Implemented	\$ -	\$618,681 ^B
More Guidance Needed	\$ -	\$ -
E911 Historical and Administrative Costs		
E911 Fund Revenue Trend	\$ -	\$ -
Guam Administrative Costs Above U.S. Mainland Rates	\$ 1,802	\$ -
Administrative Costs Incurred by Service Providers and PUC Not Recorded by DOA	\$ -	\$ -
Antiquated E911 System		
E911 Fund Expenditures Mainly For Personnel	\$ -	\$ -
E911 System Lacks Annual Assessment Report	\$ -	\$ -
Historical Data Not Generated	\$ -	\$ -
Non-compliant with FCC Wireless Regulations	\$ -	\$ -
Other Matters		
Emerging Technology Potential E911 Surcharge on VoIP Technology	\$ -	\$ -
PUC's Consultant	\$ -	\$ -
Potential Overpayment of E911 Surcharges	\$ -	\$ -
TOTAL:	<u>\$ 105,723</u>	<u>\$ 618,681</u>

Notes:

A - This amount is comprised of \$95,508 of E911 charges not remitted by three service providers and \$8,413 in assessed surcharges by a provider that were not remitted to DOA.

B - This amount represents unreconciled differences between the amounts reported to the PUC by service providers and the amounts remitted to DOA.

Appendix 2: Scope and Methodology

The objective of this audit was to determine whether the government is receiving all E911 surcharges to which the government is entitled pursuant to public law paid by subscribers via telecommunication service providers. The audit scope included the review of pertinent government of Guam E911 Fund laws, rules and regulations, policies, prior audit findings, and other relevant information between October 1, 2005 and September 30, 2009. The agencies and locations included in the audit were the PUC, GFD, and DOA, all located within Hagatna, Guam.

To accomplish our objective, we performed the following:

- Gained an understanding of the policies, procedures, applicable laws and regulations pertaining to the E911 Fund. Prior audits and OPA hotline tips relevant to this engagement were also identified and reviewed.
- Interviewed key PUC, GFD, and DOA officials. Our process included a walkthrough of E911 remittance processing procedures with DOA and a site visit to the E911 call center.
- Interviewed representatives from PUC's consultants to determine the extent of their responsibilities regarding the annual report of the E911 surcharges.
- Interviewed local service providers to understand their roles and responsibilities related to the E911 fund.
- We confirmed the E911 surcharges remitted by service providers through a confirmation letter hand-delivered to each service providers.
- Tested timeliness of E911 payments from service providers.
- Obtained and evaluated PUC administrative expenses.
- Calculated E911 revenues for FY 2006 and 2009.

Because the Treasurer of Guam did not consistently apply payments to the appropriate months, we were unable to verify whether all four service providers remitted E911 payments between fiscal years 2006 and 2009 within the 45-day deadline. Our testing was limited to the review of the fourth quarter in FY 2009 E911 surcharge payments.

We conducted this audit in accordance with the standards for performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. These standards require that we plan our audit objectives and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix 3:
Prior Audit Coverage

Performance Audit

In 2003, OPA performed an investigative audit of *GFD's E911 Emergency Reporting System Fund*, Report No. 03-10, to determine if the money in the E911 Fund was being misused. The audit noted that E911 revenues are inconsistent and fell short of OPA's estimate of \$4.2 million since the Fund's inception in 1999. To date, three of the 11 recommendations remain unaddressed.

Government of Guam Financial Audits

The GFD Emergency 911/Fire Dispatch annual budget is based on annual appropriations by the Legislature. The table below illustrates the annual appropriations, revenues, and expenses of the E911 Fund taken from the annual financial audits.

E911 Fund Appropriation, Revenue, and Expenditures

Fiscal Year	Appropriation (Budget Acts)	Revenues (GovGuam Audits)	Expenditures (GovGuam Audits)
2006	\$ 2,082,787	\$ 1,251,151	\$ 931,191
2007	\$ 2,082,787	\$ 1,420,516	\$ 1,035,426
2008	\$ 2,103,615	\$ 1,468,364	\$ 1,021,922
2009	\$ 1,442,920	\$ 1,653,469	\$ 1,051,707
Total:	\$ 7,712,109	\$ 5,793,500	\$ 4,040,246

Laws governing the E911 Emergency System as follows:

- P.L. 25-55 became law in June 1999 created the E911 Emergency System Report Fund as a separate fund that will collect the “911 surcharges.” The Public Utilities Commission (PUC) was given the authority to establish surcharges to be paid by local telephone and Commercial Mobile Radio Service (CMRS) subscribers at a rate not to exceed one dollar (\$1.00) per month per access line per account.
- P.L. 26-55 became law in November 2001 subjected the E911 Emergency Reporting System Fund to legislative appropriation. The money collected and interest earned shall be used by GFD solely for enhanced 911 equipment and system costs.
- P.L. 28-44 became law in June 2005 gave PUC the authority to establish a special surcharge for CMRS accounts for prepaid calling cards. PUC is also responsible for the monitoring of “*the collection of the 911 surcharge.*”

The following are E911 Emergency System Fund mandates and requirements pursuant to P.L. 25-55; 26-55; and 28-44.

Guam Fire Department

- Responsible for the operations, maintenance, and administration of the E911 telephone/communication systems (P.L. 25-55).
- The money collected and interest earned shall be used by GFD solely for enhanced '911' equipment and system costs to include personnel (P.L. 25-55).
- Revenues from the surcharge shall not be expended by GFD for the procurement of supplies, equipment or services in excess of \$500,000 without the prior approval of PUC as to the prudence and reasonableness of the procurement (P.L. 25-55).
- Required to submit to the Governor and Speaker of the Legislature, a yearly assessment report on the 911 system. This report will include information that is useful in evaluating the effectiveness of the 911 system. Information is to include the number and types of calls received, the number and types of emergencies in which emergency personnel were dispatched; deficiencies, if any, in the system compared in the United States mainland, and any new system or equipment changes that will be made or required in the future (P.L. 25-55).

Public Utilities Commission

- Authorized to establish a special surcharge protocol for CMRS accounts which are created under a prepaid calling card business arrangement (P.L. 28-44).
- PUC shall monitor the collection of the surcharge. PUC shall prepare written reports detailing the receipts, collections and amounts of the CMRS accounts, and the Enhanced 911 Emergency System surcharges. The reports are to be provided to the Governor, the Speaker of the Legislature, and the Public Auditor of Guam within 60 days of the end of each fiscal year (P.L. 28-44).
- In the event the surcharge fee is insufficient to cover the operation costs of the 911 system, PUC will notify the Legislature and request an appropriation to cover the shortfall and GFD shall request appropriation to cover the shortfall (P.L. 25-55).

Local Exchange Carriers and Commercial Mobile Radio Service (service providers)

- Each provider shall collect the surcharge as established by PUC and identify such as a separate line item on its invoice (P.L. 28-44).
- Each provider shall remit surcharge collected to DOA no later than 45 days after the end of the month in which the amount is collected (P.L. 25-55).
- Each provider collecting the surcharges shall not be responsible for uncollectible surcharges, and shall have no obligation to take any legal action to enforce collection of the surcharge (P.L. 25-55).
- The LEC or CMRS provider shall provide quarterly to the PUC a list of the names, addresses and telephone numbers of any and all subscribers who have identified to the LEC or CMRS provider their refusal to pay the "911" fee (P.L. 25-55).

Department of Administration

- Receives 911 surcharge payments from service providers (P.L. 25-55).

**PUBLIC UTILITIES COMMISSION
OF GUAM**

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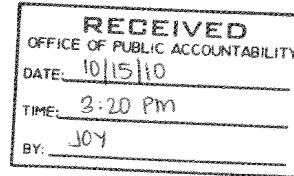
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October 15, 2010

Ms. Doris Flores Brooks
Public Auditor
Office of Public Accountability
Suite 401, DNA Building
238 Archbishop Flores Street
Hagatna, Guam 96910



**Re: Response of the Guam Public Utilities Commission [PUC] to Draft
Audit Report of the Office of Public Accountability [OPA – Guam
Fire Department Enhanced 911 Emergency Reporting System Fund]**


Dear Ms. Flores Brooks:

On October 4, 2010, the PUC received the above referenced Draft Audit Report relative to the Guam Fire Department Enhanced 911 (E911) Emergency Reporting System Fund. The audit scope is for the period of October 1, 2005 through September 30, 2009.

On October 7, 2010, I and the PUC Administrator met with representatives of your office to discuss the draft report. As a result of that meeting, OPA staff agreed to change certain statements and recommendations contained in the draft report. Therefore, this Response will not fully address matters which OPA has agreed to change.

Enclosed is the official Response of the PUC to the Draft Audit Report. The Response was prepared through the collaborative efforts of the PUC Consultant, the Georgetown Consulting Group Inc., PUC Legal Counsel, and the PUC Administrator. If you or your staff have any questions in this regard, or would desire to discuss this matter further, please contact us.

Sincerely,


Frederick J. Horecky
Legal Counsel
Guam Public Utilities Commission

Enclosure
cc: All PUC Commissioners
PUC Administrator
GCG

**RESPONSE OF THE GUAM PUBLIC UTILITIES COMMISSION TO THE
DRAFT REPORT OF THE OPA [GUAM FIRE DEPARTMENT ENHANCED 911
EMERGENCY REPORTING SYSTEM FUND]**

I. GENERAL RESPONSE TO EXECUTIVE SUMMARY

The PUC does not accept the conclusion that it did not meet its legally mandated responsibilities to monitor the collection of E911 surcharges. PUC believes that, as a result of the meeting between PUC and OPA representatives, the OPA may modify its conclusion to find that PUC did undertake actions during the audit period to carry out its responsibility to monitor the collection of E911 surcharges. Since the enactment of P.L. 25-55 in June 1999, creating the E911 Emergency System Report Fund, the PUC has enacted a 911 surcharge and undertaken numerous and detailed activities to establish the regulatory system for the establishment, collection and monitoring of the E911 surcharge.

There is a detailed history of Orders and regulatory proceedings by the PUC establishing the surcharge itself, the procedures for collection of the surcharges, determination of the amounts of surcharge collected by the collection agents of the telecommunications companies, the administrative expenses which companies may deduct from the surcharges, and the preparation and filing of annual reports concerning the amount of surcharges collected.

In general the OPA concludes that PUC did not “ensure the accuracy, completeness and timeliness of service provider/collectors.” However, Public Law 28-44 only speaks in the broadest of terms of a duty of the Commission to “...monitor the collection of the surcharge.” The law does not refer to “remittances” or any “audit” duties or responsibilities. Many of the recommendations of the OPA suggest that PUC had a duty to require regular independent audits of service providers reported access lines and administrative costs, and that “remittances” to the Department of Administration must be ascertained. But in fact, none of these functions are specifically stated under Public Law 28-44.

The primary function of the PUC is rate setting. In this case, it has retained a consultant to monitor the collection of E911 surcharges. “Monitoring” generally implies that a party will observe, record or detect an operation; but the more “detailed” “auditing functions” which the OPA asks the PUC to perform are not clearly delineated in the Public Law. Notwithstanding this lack of clarity in the law, the PUC has undertaken substantial activity to prepare annual reports recording the amounts of surcharges collected. While the OPA is within its prerogative to conclude that PUC could have improved the effectiveness or details of its monitoring function, it is not fair to conclude that the Commission did not meet its legally mandated responsibilities.

Also, the PUC believes that some of the actions recommended in the Report are not authorized under present law. PUC has no statutory authority or jurisdiction over the Department of Administration. Nothing on the face of the law gives PUC authority to

require regular independent audits of service providers' reported access lines. Performance of such functions will drastically increase the cost of present consulting services. Assuming that PUC could lawfully conduct such audits, the performance thereof will create additional administrative expense that will detract from the surcharge funds available for the E911 System.

In fact, the Guam Legislature has consistently reduced the regulatory role of the Guam PUC over the E911 Emergency System. Originally, in P.L. 25-55, the Legislature gave the PUC the authority to determine whether the surcharge was sufficient to cover the annual 911 system operating costs "as determined by the Commission." However, in Public Law No. 26-55 the legislature completely removed the PUC from the budgeting function and established the enhanced 911 Emergency Reporting System Fund to be administered by the Department of Administration and "subject to legislative appropriation."

It is not logical to continue to require the PUC to be responsible for monitoring and auditing of a fund over which it has no authority or control. Telecommunications companies, through their collection agents, make remittances of E911 surcharges directly to the Department of Administration. The Department of Administration, as the recipient of the actual surcharge remittances, is better placed to determine whether the collection agents of the telecom companies are submitting the appropriate amounts. PUC understands the OPA conclusion that present law imposes a "monitoring" duty upon the PUC; however, PUC still requests that the OPA recommend to the Guam Legislature that current law be altered to transfer the monitoring function to the entity upon which it more appropriately lies: the Department of Administration (and, possibly, as will be discussed, to the Guam Fire Department).

OPA understands that the PUC must often carry out its duties or functions through the services of its consultants. To perform the auditing duties requested by OPA, the cost of the consulting services retained by PUC will greatly increase. PUC conservatively estimates that the cost of implementation of the program recommended by OPA could be in the neighborhood of \$100,000 per year or even more (if an audit of telephone lines is required).

II. SPECIFIC PUC RESPONSES TO AUDIT CONCLUSIONS OF THE OPA DRAFT AUDIT

The following responses were prepared by PUC through its Consultant Georgetown Consulting Group, with assistance of Legal Counsel. These responses are adopted as those of the PUC.

PUC monitoring

OPA Draft Audit Comment

Accuracy and completeness of quarterly reports were not reviewed. PUC relies on the integrity of service providers to submit true and accurate surcharge collections

without independent review or verification. DOA's Acting Controller and the Accounting Manager indicated that the PUC has yet to inquire into the E911 surcharges remitted by service providers.

PUC Response

The PUC through its consultant conducts reviews of each carrier's lines, E911 billing and collection amounts and fund balances for each of the years covered in the audit. The latest such review covering Fiscal 2008 and 2009 was conducted in June, 2010. During the course of the reviews, reporting inconsistencies and anomalies are identified and the carriers are asked to correct their submissions. For example, after inquiry by the consultant in the latest inquiry, one carrier found that an error in their data system caused misreporting of the numbers of lines. In previous reports, errors in the amounts withheld for administrative charges were uncovered and rectified.

It is true that the PUC relies primarily on the integrity of the service providers in providing E911 data. This is supplemented by reviews performed by the consultant. To do otherwise would be prohibitively expensive. Audits by professional services firms could cost far more than could be justified by the risk of losses and would have to be paid for by the E911 Fund. Further, the authority of the Commission to order external audits of telecommunications companies that are not under its regulatory authority is not clear. See comments below in response to the auditor's remarks regarding independent audits. It is also not clear that the Commission has any authority to review the handling of E911 funds by the Department of Administration (DOA) including verification of the amounts received or booked and to whom the amounts are dispersed. This lack of specific authority to undertake a coordinated review has been a PUC concern for a period of time. The OPA in this draft report states that it believes that E911 funds must only be used for E911 purposes.¹ The data, however, in the draft report states that the revenues from collections for E911 in 2008 and 2009 are \$1.5 million and \$1.7 million respectively. Expenditures for 2008 and 2009 are shown in the draft report to be \$1.0 million and \$1.1 million respectively. The PUC has no authority to review the differences and to what use they were put. There is no comment in the draft report on this "gap".³

Without the clear legislative mandate to review the deposit and use of E911 funds the PUC cannot undertake the review suggested. The PUC has made attempts in the past to receive financial information from DOA with limited success.

Verification of E911 surcharge remittances

OPA Draft Audit Comment

We calculated E911 Fund revenues that should have been remitted between fiscal years 2006 and 2009 by obtaining information from the quarterly reports service

¹ Draft OPA Report, page 3. PUC has requested and received opinion from counsel indicating that there is no prohibition of use from the E911 fund by the General fund.

providers submitted to PUC. Based on our calculation of the total lines reported, three providers did not remit \$95,508 to the E911 Fund. This amount could potentially be higher because two service providers were not remitting the monthly surcharge and the number of access lines has never been independently verified. PUC simply relies on service providers' honesty. In addition, we identified two other service providers also required to assess, collect, and remit E911 surcharges, but during our audit, we learned that they have not.

PUC Response

No information was provided by the auditor regarding the identities of, or numbers of lines served by the three providers who did not remit E911 surcharge revenues to the E911 fund and the methodology used by the auditor to determine the shortage in the remittance was not explained.² Further, the identities of the two other carriers which the auditors believe are required to collect and remit E911 charges were not disclosed. For example, we do not know if these carriers were wireline carriers or CMRS operators covered by the statute or VoIP providers that are not covered by the statute. Consequently, we cannot verify or comment on the audit comments.

The audit comment does not say whether the \$95,508 was never sent to DOA or whether it was merely the outstanding amount at a particular point of time. We note that the discrepancy in the amounts collected and the number of lines reported by the three carriers could have been caused by legitimate lags between the end of the reporting month and the date the funds are to be sent to DOA. The statute allows for 45 days lag. The analyses provided by the PUC's consultant for the years covered by the audit show that remittance to DOA almost always lags the collection month but over time, the effects of lag wash out. In addition, the comment does not address whether administrative expenses were taken into account. Since the underlying information was not provided, we cannot determine if the discrepancy noted by the auditor is significant.

Accuracy and Completeness of Quarterly Reports

OPA Draft Audit Comment

We attempted to reconcile the amounts service providers reported to the PUC against the amounts remitted to DOA. We were unable to do so and found unreconciled differences with DOA records totaling \$618,681 or 37% of the \$1.7 million (M) surcharges reported in FY 2009.

PUC Response

We are unable to determine how the auditor calculated the "unreconciled difference" between the reported remittances to DOA and the amounts recorded by DOA. As noted above, there is a statutory lag built into the process. Further, the audit states the Treasurer of Guam did not consistently apply payments to the appropriate months.

² Collection Agents do not necessarily remit all of the amounts collected.

It should be recognized that the E911 statutes do not give the PUC any authority to monitor how DOA records E911 revenues or expenditures or how it disburses the money. Also, the Guam Legislature stripped the Commission of its role in establishing a budget for the E911 system. Thus, the PUC cannot monitor any "unreconciled differences" without the voluntary cooperation of DOA. However, it is interesting to note that the difference (\$601,762) between the reported remittances to DOA (\$1,653,469) and the E911 expenditures (\$1,051,707) is very close to the amount identified by the audit as "unreconciled."

OPA Draft Audit Comment

One service provider told us that the PUC did not provide sufficient guidance regarding their responsibility as collection agents of the E911 surcharge. The provider has assessed its subscribers the surcharge since October 2008, but has not yet remitted the collections to DOA. According to the company president, their customer base is small and the cost of billing and collecting the surcharge exceeds what they collect. Thus, they retain the surcharges to recover their administrative costs.

According to the company president, as of June 2010, they collected \$8,413 in surcharges, but spent \$9,450 doing so. We informed the company president that a petition for administrative services should be submitted for PUC's approval before E911 surcharges can be retained. We notified the PUC of this matter and they have contacted the provider. In September 2010, the PUC and service provider are reviewing the surcharge collections and administrative expenses.

PUC Response

The identity of the company was not provided by the audit. The PUC strives to provide guidance when requested but notes that it is the responsibility of the companies to obtain information and comply with PUC orders. Based on this situation the PUC will discuss in a future meeting whether when issuing any future certificates of authority, to include E911 obligations in the order granting such authority.

Independent audits of E911 remittances

OPA Draft Audit Comment

E911 revenues averaged \$1M annually, but the PUC has not conducted or contracted audits of the numbers of access lines maintained by the respective service providers. Such audits would provide verifiable evidence of the amount of E911 surcharges each provider should remit. The PUC is authorized by law to contract for the professional services it may need to meet its responsibilities, including the auditing of E911 surcharge collection and disbursement activities. Instead, it has been PUC's practice to meet with providers when considered necessary to address a specific question or need. According to the commission's legal counsel and consultant, they have used this process in lieu of

expensive detailed additional reports and audits, unless there is a specific need.

PUC Response

It is not clear that the Commission has the power to order an audit of the financial or operating data of any telecommunications company not under its rate regulation authority. Public Law 25-55 says the Commission in exercising its E911 responsibilities shall have the powers and duties prescribed in its enabling legislation, it does not contain any other language regarding monitoring the E911 fund. Chapter 12 of the Guam Code Annotated. Section 12104 of the Guam Telecommunications Act of 2004 gives the PUC the authority to audit local exchange carriers only. This power is granted mainly with respect to rate making and related issues. The general powers in Section 12004, which include the right to audit, apply to government owned public utilities only. CMRS operators are generally not under the Commission's jurisdiction except to the limited degree granted under the federal Telecommunications Act or Guam Law. Regulation of CMRS rates is preempted by federal law and FCC rules. Public Law 28-44 does not contain any language that explicitly grants audit authority, especially over CMRS operators. It says the Commission shall monitor the collection of the surcharge and prepare reports to the Legislature. The term "monitor" is undefined.

There is no question that audits by professional services firms are expensive. Although problems have been identified from time to time, the analysis of E911 revenues, cash receipts and administrative costs shows that these amounts generally do not vary greatly from what we expected, especially after taking normal lags into account. Consequently, we believe the approach we have been taking is both prudent and efficient.

OPA Draft Audit Comment

PUC does not maintain a database of the service providers' access lines that can be reconciled to provider reports and project E911 surcharge revenues. PUC-prepared statistical data of telephone subscribers is non-existent. Without accurate and complete data, the PUC cannot determine whether service providers are over-or under-remitting surcharges. Under present law, it is PUC's responsibility to ensure that data provided by the service providers is complete and accurate.

PUC Response

The draft audit suggests that there should be an independent source for verification of access line counts. However, the statute makes no provisions for creating or maintaining such a database. It is also very difficult to develop access line counts independently. The carriers are the source of all operational data. To develop independent counts, we would have to gain access to company billing or provisioning systems. As noted earlier, the Commission lacks the authority to audit any carrier other than the wireline telephone companies. Even if such authority was granted to the Commission, the staff does not have the necessary expertise to follow the intricacies of these systems.

It should be noted that the larger companies have no incentive to under report access lines. GTA, Pulse Mobile, DOCOMO and IT&E have all been designated as "Eligible Telecommunications Carriers" under the federal Telecommunications Act and receive universal service funds based on the number of access lines served. Thus under reporting would lead to reduced USF support. We further point out that for prepaid cards there are changes daily in the number of such subscribers adding a great deal of complexity to the situation.

OPA Draft Audit Comment

The PUC's legal counsel stated that the PUC might not be the appropriate monitoring entity. The administrator, the PUC's only full-time employee, expressed concern about not being equipped or capable of overseeing the E911 surcharges remittances. However, we believe the administrator could be tasked to review and reconcile the reports since there are only a few service providers and the work should not be too laborious.

PUC Response

As has been referred to in prior sections of our comments a complete "monitoring" of the E911 funds would include review of the amounts to be collected, the amounts withheld by the collection agents, the amounts remitted to DOA, the appropriate recording of the funds by DOA and the appropriate disbursement of the E911 funds. Even if personnel resources were available, the PUC has limited authority to monitor the collection of funds and the amounts withheld by the collection agents. There is no further authority. Short of additional legislation to provide for a much expanded function the PUC actions are appropriate.

Timeliness of Annual E911 Surcharge Reports

OPA Draft Audit Comment

*By law, the PUC is required to submit annual surcharge reports to the Governor, the Legislature, and the Public Auditor within 60 days of the end of the fiscal year. These reports have been chronically late, from as much as 68 days to 570 days. **The first E911 surcharge annual report that covered FY 2005 was submitted on June 16, 2006, or 198 days after the November 30, 2005 due date. PUC officials stated that the delays were due to the service providers not submitting their quarterly reports on time.***

PUC Response

PUC agrees that there have been delays in the filing of some reports. However, PUC has filed the annual reports for all years required since FY 2005. Such reports have fully complied with the requirements of law. The actions by the PUC in filing such reports are further evidence that it has complied with its legally mandated responsibilities.

Recommendations from Annual Surcharge Reports

OPA Draft Audit Comment

The PUC does not regularly follow up on the implementation of annual surcharge report recommendations. We noted that the same findings were repeated year after year, demonstrating the lack of communication between the PUC and the service providers. The recurring findings include inconsistent reporting formats among service providers, late submission of their quarterly reports and late remittance of surcharges to DOA.

In June 2010, the PUC asked the providers to note the recommendations pertaining to their companies, to take appropriate action by the end of September 2010, and to provide assurances to the PUC that action had been taken.

PUC Response

It is unclear what enforcement action can be taken by the PUC. In the past, the PUC has referred potential actionable events to the attorney general, such as refusal to pay the E911 surcharge by individuals, but there has been no action. Under the current legislation the PUC continues to believe that consistently requiring the collection agents to provide consistent and accurate data is the prudent course of action.

OPA Draft Audit Comment

Although several laws grant the PUC with enforcement powers and authority to impose penalties, even upon telecommunication companies that violate PUC rules and regulations, the commission instead opts to work with violators. Despite the recurring findings noted in the annual reports, no company has ever been fined for noncompliance and failure to correct repeated violations. According to PUC's legal counsel and consultants, attempts are made with service providers to resolve compliance issues. We acknowledge that the law makes no provision for varying degrees of violation, thus the maximum fine of \$1,000 for each violation may be unreasonable. We recommend the PUC develop a penalty schedule based on the type and degree of service provider noncompliance.

PUC Response

Public Law 25-55 Section 11 states that any carrier that violates the E911 statute or PUC order shall be given proper notice and allowed a reasonable opportunity to cure the violation. Thus, the PUC is complying with the law by working with violators. If after discussion, the carrier does not cure the violation, the matter is to be referred to the Attorney General for prosecution. A civil penalty of up to \$10,000 per violation may be imposed by the courts. The normal penalties available to the PUC under its enabling

legislation are superseded by P.L. 25-55 with regard to E911.

Guidance provided to service providers

OPA Draft Audit Comment

We recommend the PUC provide better guidance to newly licensed Local Exchange Carriers (LES) and Commercial Mobile Radio Services (CMRS) as to their responsibilities as collection agents of the E911 surcharges.

Representatives of all six service providers expressed their desire for the PUC to provide more guidance and quicker feedback about their responsibilities as E911 surcharge collection agents. One service provider representative pointed out that when their Commercial Mobile Radio Service (CMRS) license was issued in 2010, it was another service provider --not the PUC --that informed them of the E911 surcharge collection requirements.

PUC Response

As noted earlier, the PUC does give guidance to the carriers when requested but the primary responsibility for seeking guidance on compliance with the E911 laws rests with the carriers. Nevertheless, this comment by the OPA will be further considered by the PUC.

Comparison of Administrative Costs with U.S. Mainland Rates

OPA Draft Audit Comment

Our research of service provider costs in other states found that costs ranged from a low of 1 % in Texas to a high of 5% in North Dakota. New York City and Pennsylvania providers charged 2%. Administrative costs in Guam are higher than in mainland states and inconsistent.

On average, local providers retained approximately 12%. In FY 2009, the surcharge amounts retained for administrative costs ranged from a low of 3% to a high of 31%, or from \$813 to \$7,393 a month. For every surcharge dollar remitted, the E911 Fund received a high of 97 cents to a low of 69 cents. Guam administrative costs are not a standard formula or percent, but determined in 2003 based on costs incurred by collection agents of the 911 surcharge.

PUC Response

P.L. 25-55 Section3(c) authorized each carrier to deduct its actual expenses from the revenues collected. The four carriers identified at that time as collection agents performed cost studies in response to a Reimbursement Protocol Order issued by

the PUC. These studies identified the actual costs incurred during start up as well as ongoing maintenance costs. After an appropriate review, the PUC authorized reimbursement.

The auditor asserts that administrative costs are excessive by comparison to mainland states and cities. The source of the benchmark rates was not provided. Consequently, we cannot verify the information. However, benchmarking can be very misleading. New York City, with 8 million people or the state of Pennsylvania, population 13 million, gains economies of scale that would be impossible for Guam to achieve. It is irrelevant that they average 2%.

The Public Law does not permit use of benchmarking to set reimbursement since it must be based on actual cost. Even if that cost is significantly above the nationwide average, the carriers are entitled to recovery unless modified by appropriate legislation.

OPA Draft Audit Comment

The administrative costs authorized by the PUC have not been revised since initial implementation in March 2004. The documents we reviewed contained no evidence that the PUC negotiated cost reimbursement requests with providers. Advancements in technology can and should minimize administrative costs, particularly for providers with large customer bases. We recommend the PUC establish a standard formula to equitably determine allowable administrative costs, as well as conduct an audit of past cost reimbursements to determine whether they should be re-evaluated, adjusted, and brought more in line with stateside ranges.

PUC Response

The PUC was not authorized under P.L. 25-55 to negotiate reimbursement requests or to establish a standard formula. The carriers are entitled to receive reimbursement for their actual costs. As noted above, the Commission conducted reviews of the cost data submitted by the carriers and permitted reimbursement only of costs that could be demonstrated.

The audit comment regarding reduced costs due to advances in technology is not supported. When the surcharge was first implemented, the carriers demonstrated that they had to make significant and costly changes to their operating and billing systems in order to assess the surcharge. We have no information that suggests that new and more economical technology has been implemented by the companies. Similarly, we have no reason to expect that the companies have streamlined their operations to the point ongoing maintenance costs have dropped significantly. Nevertheless, the PUC will further consider the auditor's suggestions.

OPA Draft Audit Comment

Currently, there is no assessment being applied to customers utilizing VoIP technology. There is no current legislation to address changes in current technology. Therefore, it is PUC's position that it is GFD's responsibility to initiate any legislative changes to the E911 surcharge. However, we believe that it is incumbent upon PUC to ensure that it takes into account the government's interest in generating potential revenues. We recommend PUC, in coordination with GFD, assess and determine the feasibility of charging VoIP customers the E911 surcharge.

PUC Response

The Commission conducted an inquiry in 2008 into requiring VoIP providers to assess the E911 surcharge. It concluded that an amendment to P.L. 25-55 would be required. The current law limits the surcharge to local exchange carriers and CMRS operators. Based on recent court decisions, it is unlikely a court would find that VoIP providers fit either definition even though there may be similarities between telephone service provided by LECS or CMRS providers and certain VoIP services.

It should be noted that VoIP services may be provided either by "interconnected" providers or non-facilities based providers. A cable television company that offers Internet access and Internet telephony is an example of an interconnected VoIP. Companies like Vonage that only offer services requiring a computer at the originating customer's end do not have physical facilities to access the Internet. These providers may be located anywhere in the world. Only interconnected VoIP providers are required to provide access to E911 systems.

PUC believes that OPA has agreed to remove this comment from the draft. Since the responsibility of the PUC is limited by P.L. 25-55, the GFD is in the best position to urge the Legislature to change the law. Of course, the PUC would support the GFD in that effort.

OPA Draft Audit Comment

PUC's Consultant

Consulting is a costly function and although it may be convenient for PUC to keep its current consultants, PUC should issue a RFP to foster as much competition as possible. In doing so, PUC can ensure that all who wish to compete for the opportunity to provide their services to the government can do so and the government of Guam can ensure it obtains the best service at the best possible price.

PUC Response

The PUC's consultant has been assisting the Commission with its E911 fund responsibilities for many years. Nevertheless, the Commission issued an RFP for all

consulting services in 2008 (including E911) in order to offer an opportunity to other firms to compete for regulatory assistance to the PUC. The Georgetown Consulting Group was the only bidder responding to the RFP. In addition, at its meeting of September 29, 2010, the PUC, prior to receipt of the OPA draft report, passed a resolution requesting that various consulting services, including with regard to E911 services, be put out to bid. It is anticipated that such bid will be put out in the near future.

Potential Overpayment of E911 Surcharges

OPA Draft Audit Comment

The lack of verification may have led to an overpayment of \$300,000 by one service provider. The company's Chief Operating Officer claims that, in December 2009, when their Code Division Multiple Access (CDMA) system switched to a Global System for Mobile Communications (GSM) system, their billing system double-counted customers that were moved from CDMA to the GSM system and the surcharge was inadvertently remitted twice.

We brought this matter to PUC's Legal Counsel, who said PUC could do nothing until the service provider files an official complaint. It is the service provider's responsibility to reconcile and inform PUC and DOA of any amount discrepancies remitted. We concur that the burden of proof lies with the service provider to dispute discrepancies.

PUC Response

The overpayment is payable to the provider that sent the funds in advance. Based on reports received it appears that the provider is making up the overpayment by not making current payments until the amounts are in balance. The matter will be further reviewed after the quarterly reports are received.

CONCLUSION

PUC, through its staff, consultant, and Commissioners, has devoted considerable time and effort over the past years to perform its mandated monitoring function with regard to the E911 System. While the efficiency of the monitoring process could always be improved, PUC has consistently and in good faith carried out its monitoring functions in accordance with present law. It has completed all annual audits required under the law. Imposition of the additional auditing functions upon PUC, as suggested by OPA, will considerably increase the cost of the regulatory system. PUC requests that the OPA give consideration to a recommendation concerning a more appropriate entity to monitor collections. Since PUC has no authority with regard to the E911 budget, it is not the appropriate entity to monitor collections of the E911 surcharge. The PUC appreciates that cordial and collaborative approach which the OPA has exhibited in performing this audit.

Appendix 6:
GFD Management Response



Felix P. Camacho
Governor

Michael W. Cruz
Lt. Governor

GUAM FIRE DEPARTMENT
DIPATTAMENTON GUAFI GUAHAN



David Q. Peredo
Fire Chief

October 19, 2010

TO: Doris F. Brooks, Public Auditor
Office of Public Accountability

FROM: Guam Fire Department

SUB: Response Letter to OPA Draft

RECEIVED	
OFFICE OF PUBLIC ACCOUNTABILITY	
DATE:	10/19/10
TIME:	2:08 PM
BY:	Rjm

Hafa Adai!

This is in response to the OPA Draft that GFD Management Team reviewed and discussed with the OPA Team last week.

The GFD acknowledges and agrees with the OPA's findings in regards to the E911 system. We concur that the system is antiquated and in need of a major upgrade, not just for technology sake, but for the fact that via Motorola (the E911 system vendor), parts for this system are no longer made, and are hard to come by.

Though a senator did acknowledge and offered help via a bill for \$1.2 million for a new system, (the bill did not pass) the GFD will still pursue all and other avenues available to us to procure a new system, to include assistance through local legislation, the E911 fund itself, or the possibility that a federal grant may cover the cost or portions of it. Regarding the limited space, there is a bill stuck in legislation for our new Head Quarters and Facilities that includes a new E911/Fire Dispatch Center.


We were shocked to see the collection's disparity that included such a wide range of 3%-31% that the local service providers were charging for administrative costs; far above what stateside service providers were charging (1%-5%). The GFD would like to collect the entire \$1 surcharge which would mean a slight raise to the surcharge itself.

The GFD would also like to see the Fire Chief have more flexibility with the fund itself. As it stands now, monies are given to GFD through allotments approved by the Guam Legislature and BBMR. If the fund balance is not used up, the remaining balance is placed in lapsed funds. The GFD would like to see any balances carried over into next fiscal years. If this was done, and the Fire Chief given that flexibility, the GFD could purchase a new state-of-the-art 911 system to include a CAD (Computer Aided Dispatch), and hire new EMD personnel as well as re-certify the existing EMD personnel.

Should you have any questions, please feel free to contact me at 472-3325 / 472-3311 or email me at philip.camacho@gfd.guam.gov.


FSS Philip J.E. Camacho

Concurred:


David Q. Peredo
Fire Chief

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Appendix 7:
Status of Audit Recommendations

Audit Recommendation	Status	Action Required
To the Public Utilities Commission:		
<p>1 Comply with P.L. 28-44 to monitor the collection of the surcharge remitted by service providers. PUC’s monitoring should include, at the minimum, the following:</p> <ul style="list-style-type: none"> • quarterly review of service providers’ reports to ensure that information provided is reasonable and complete; • coordinate with DOA to verify surcharge remittances made by service providers; • establish a system of regular communication to provide better guidance to newly licensed Local Exchange Carriers (LEC) and Commercial Mobile Radio Services (CMRS) of their responsibilities as collection agents of the E911 surcharges; • establish penalty schedule based on the type and degree of infraction; and • establish a standard formula to equitably allocate administrative costs. 	Open. Additional Information Needed.	Provide evidence of monitoring the collection of the surcharge remitted by providers, such as review of quarterly reports, verification of surcharge remittances with DOA, and regular communication with service providers.
<p>2 Regularly contract for independent third party audits of the service providers’ access lines, which are used in determining the E911 surcharge amounts to be remitted by service providers. The audit should also include, at the minimum, review of past cost reimbursements to determine whether they should be re-evaluated, adjusted, and brought more in line with stateside ranges</p>	Open. Additional Information Needed.	Provide evidence that efforts are being made in obtaining independent audits of the service providers’ access lines.
<p>3 Coordinate with DOA to forward all E911-related expenses, to include service providers’ and PUC-related administrative costs, to properly account for all costs associated with E911 operations.</p>	Open. Additional Information Needed.	Provide evidence that that all E911-related administrative expenses are forwarded to DOA for recordation.
<p>4 In coordination with GFD, assess and determine the feasibility of charging VoIP customers the E911 surcharge.</p>	Open. Additional Information Needed.	Provide evidence that efforts are being made in assessing the feasibility of charging VoIP customers.
To the Guam Fire Department:		
<p>5 Comply with P.L. 25-55 by submitting to the Governor and the Speaker a yearly assessment report on the E911 system. The annual assessment report should provide information on the state of the E911 system, changes in technology, and risks or potential concerns that the program has experienced or foresees, such as the need to upgrade the current E911 system.</p>	Additional Information Needed.	Provide evidence of the yearly assessment report on the E911 system.
To the Treasurer of Guam:		
<p>6 Record in the point-of-sale system the period of the month for which the E911 surcharge remittance is applicable. This recommendation was implemented in August 2010.</p>	Closed.	No Action Required.



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

ACKNOWLEDGEMENTS

Key contributions to this report were made by:
Lourdes Perez, Audit Supervisor
Maripaz Perez CGFM, CGAP, Auditor-in-Charge
Rachel Field, Audit Staff
Doris Flores Brooks, CPA, CGFM, Public Auditor

MISSION STATEMENT

To improve the public trust,
we audit, assess, analyze, and make recommendations
for accountability, transparency,
effectiveness, efficiency, and economy of the government of Guam
independently, impartially, and with integrity.

VISION

Guam is the model for good governance in the Pacific.

CORE VALUES

Integrity	Independence	Impartiality
Accountability	Transparency	

REPORTING FRAUD, WASTE, AND ABUSE

- Call our HOTLINE at 47AUDIT (472-8348)
- Visit our website at www.guamopa.org
- Call our office at 475-0390
- Fax our office at 472-7951
- Or visit us at Suite 401, DNA Building in Hagåtña;

All information will be held in strict confidence.