

**REPORT OF THE AUDIT OF
THE KENTUCKY 911 SERVICES BOARD
(FORMERLY KNOWN AS THE
COMMERCIAL MOBILE RADIO SERVICE BOARD)**

**For The Fiscal Years Ended
June 30, 2014 through June 30, 2017**



**MIKE HARMON
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

Kentucky 911 Services Board
John Holiday, Chairman
200 Mero Street
Frankfort, KY 40601

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balance-Modified Cash Basis financial statements of the Kentucky 911 Services Board, for the years ended June 30, 2014; June 30, 2015; June 30, 2016; and June 30, 2017, and the related notes to the financial statements, which collectively comprise the Kentucky 911 Services Board's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Kentucky 911 Services Board's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.



In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinions

We were unable to obtain sufficient appropriate audit evidence to ensure the accuracy, completeness and proper classification of accounting entries for the years ended June 30, 2014; June 30, 2015; June 30, 2016; and June 30, 2017 due to the amount of missing or inadequate documentation. This matter materially impacted the auditor's ability to verify the accuracy of receipts reported on the financial statements in fiscal years 2014 and 2017, and expenditures reported in fiscal years 2014, 2015, 2016, and 2017. Consequently, we were unable to determine whether all adjustments to the accounts were correct.

Opinions

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinions paragraph, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the Kentucky 911 Services Board, as of June 30, 2014; June 30, 2015; June 30, 2016; and June 30, 2017, and the respective changes in financial position-modified cash basis for the years then ended on the basis of accounting described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

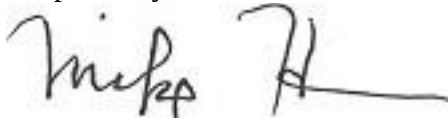
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2018 on our consideration of the Kentucky 911 Services Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance.

John Holiday, Chairman
Kentucky 911 Services Board
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That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Kentucky 911 Services Board's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal flourish extending to the right.

Mike Harmon
Auditor of Public Accounts

June 12, 2018

FINANCIAL STATEMENTS

KENTUCKY 911 SERVICES BOARD
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2014

	Board Administration Fund	Carrier Cost Recovery Fund	PSAP Pro Rata Disbursement Fund	PSAP Volume Disbursement Fund	Grant Fund	Total
Receipts						
Provider payments	\$ 1,364,349	\$ 5,167,651	\$ 10,335,303	\$ 10,335,303	\$ 2,952,953	\$ 30,155,559
Interest income	363	2,541	5,082	5,082	1,452	14,520
Total receipts	<u>1,364,712</u>	<u>5,170,192</u>	<u>10,340,385</u>	<u>10,340,385</u>	<u>2,954,405</u>	<u>30,170,079</u>
Operating Disbursements						
Provider disbursements		3,345,491	10,360,780	10,405,789	1,276,225	25,388,285
Personnel services						
Salaries and wages	180,806					180,806
Workers compensation	576					576
Employee benefits	79,103					79,103
Professional fees	151,797					151,797
Consulting services	7,454				94,547	102,001
Insurance premium	22,316					22,316
Utilities	15,229					15,229
Rentals	20,438					20,438
Miscellaneous services	7,495					7,495
Supplies	4,411					4,411
Travel charges	27,865					27,865
Furniture and fixtures	1,448					1,448
Total operating disbursements	<u>518,938</u>	<u>3,345,491</u>	<u>10,360,780</u>	<u>10,405,789</u>	<u>1,370,772</u>	<u>26,001,770</u>
Excess (deficiency) of receipts over (under) disbursements	845,774	1,824,701	(20,395)	(65,404)	1,583,633	4,168,309
Fund balance June 30, 2013	474,036	56,784	2,249,970	2,327,980	6,894,158	12,002,928
Fund balance June 30, 2014	<u>\$ 1,319,810</u>	<u>\$ 1,881,485</u>	<u>\$ 2,229,575</u>	<u>\$ 2,262,576</u>	<u>\$ 8,477,791</u>	<u>\$ 16,171,237</u>

The accompanying notes are an integral part of this financial statement.

KENTUCKY 911 SERVICES BOARD
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2015

	Board Administration Fund	Carrier Cost Recovery Fund	PSAP Pro Rata Disbursement Fund	PSAP Volume Disbursement Fund	Grant Fund	Total
Receipts						
Provider payments	\$ 663,275	\$ 4,641,118	\$ 9,282,238	\$ 9,282,238	\$ 2,652,402	\$ 26,521,271
Interest income	591	4,140	8,280	8,280	2,366	23,657
Total receipts	<u>663,866</u>	<u>4,645,258</u>	<u>9,290,518</u>	<u>9,290,518</u>	<u>2,654,768</u>	<u>26,544,928</u>
Operating Disbursements						
Provider disbursements		1,424,874	9,209,611	9,187,074	3,237,810	23,059,369
Personnel services						
Salaries and wages	207,176					207,176
Employee benefits	116,622					116,622
Professional fees	138,296					138,296
Consulting services	9,752				106,145	115,897
Insurance premium	22,956					22,956
Utilities	13,913					13,913
Rentals	16,864					16,864
Miscellaneous services	6,992					6,992
Supplies	2,380					2,380
Travel charges	20,871					20,871
Furniture and fixtures	34					34
Total operating disbursements	<u>555,856</u>	<u>1,424,874</u>	<u>9,209,611</u>	<u>9,187,074</u>	<u>3,343,955</u>	<u>23,721,370</u>
Excess (deficiency) of receipts over (under) disbursements	108,010	3,220,384	80,907	103,444	(689,187)	2,823,558
Fund balance June 30, 2014	<u>1,319,810</u>	<u>1,881,485</u>	<u>2,229,575</u>	<u>2,262,576</u>	<u>8,477,791</u>	<u>16,171,237</u>
Fund balance June 30, 2015	<u>\$ 1,427,820</u>	<u>\$ 5,101,869</u>	<u>\$ 2,310,482</u>	<u>\$ 2,366,020</u>	<u>\$ 7,788,604</u>	<u>\$ 18,994,795</u>

The accompanying notes are an integral part of this financial statement.

KENTUCKY 911 SERVICES BOARD
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2016

	Board Administration Fund	Carrier Cost Recovery Fund	PSAP Pro Rata Disbursement Fund	PSAP Volume Disbursement Fund	Grant Fund	Total
Receipts						
Provider payments	\$ 1,136,157	\$ 4,626,459	\$ 9,252,920	\$ 9,252,920	\$ 2,643,699	\$ 26,912,155
Interest income	885	6,196	12,392	12,392	3,541	35,406
Total receipts	<u>1,137,042</u>	<u>4,632,655</u>	<u>9,265,312</u>	<u>9,265,312</u>	<u>2,647,240</u>	<u>26,947,561</u>
Operating Disbursements						
Provider disbursements		8,355,676	9,288,113	9,265,003	4,308,344	31,217,136
Personnel services						
Salaries and wages	222,173					222,173
Employee benefits	141,158					141,158
Professional fees	68,946					68,946
Consulting services	2,475				26,691	29,166
Insurance premium	23,826					23,826
Utilities	13,537					13,537
Rentals	17,620					17,620
Miscellaneous services	7,348					7,348
Supplies	3,830					3,830
Travel charges	18,990					18,990
Furniture and fixtures	470					470
Total operating disbursements	<u>520,373</u>	<u>8,355,676</u>	<u>9,288,113</u>	<u>9,265,003</u>	<u>4,335,035</u>	<u>31,764,200</u>
Excess (deficiency) of receipts over (under) disbursements	616,669	(3,723,021)	(22,801)	309	(1,687,795)	(4,816,639)
Fund balance June 30, 2015	<u>1,427,820</u>	<u>5,101,869</u>	<u>2,310,482</u>	<u>2,366,020</u>	<u>7,788,604</u>	<u>18,994,795</u>
Fund balance June 30, 2016	<u>\$ 2,044,489</u>	<u>\$ 1,378,848</u>	<u>\$ 2,287,681</u>	<u>\$ 2,366,329</u>	<u>\$ 6,100,809</u>	<u>\$ 14,178,156</u>

The accompanying notes are an integral part of this financial statement.

**KENTUCKY 911 SERVICES BOARD
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2017**

	Board Administration Fund	Carrier Cost Recovery Fund	PSAP Pro Rata Disbursement Fund	PSAP Volume Disbursement Fund	Grant Fund	Total
Receipts						
Provider payments	\$ 640,729	\$ 679,680	\$ 10,872,924	\$ 10,872,924	\$ 2,562,918	\$ 25,629,175
Interest income	1,382	3,024	22,674	22,674	5,528	55,282
Prepaid service charges	72,202	72,202	1,227,427	1,227,427	288,806	2,888,064
Total receipts	<u>714,313</u>	<u>754,906</u>	<u>12,123,025</u>	<u>12,123,025</u>	<u>2,857,252</u>	<u>28,572,521</u>
Operating Disbursements						
Provider disbursements		1,545,312	11,354,575	11,325,000	3,439,695	27,664,582
Personnel services						
Salaries and wages	221,172					221,172
Employee benefits	143,651					143,651
Professional fees	96,019					96,019
Consulting services	11,460					11,460
Insurance premium	24,013					24,013
Utilities	13,821					13,821
Rentals	16,689					16,689
Miscellaneous services	8,539					8,539
Supplies	1,920					1,920
Travel charges	9,923					9,923
Total operating disbursements	<u>547,207</u>	<u>1,545,312</u>	<u>11,354,575</u>	<u>11,325,000</u>	<u>3,439,695</u>	<u>28,211,789</u>
Other Financing Sources (Uses)						
Transfers In			379,847	379,847		759,694
Transfers Out					(759,694)	(759,694)
Total Other Financing Sources (Uses)			<u>379,847</u>	<u>379,847</u>	<u>(759,694)</u>	
Excess (deficiency) of receipts over (under) disbursements	167,106	(790,406)	1,148,297	1,177,872	(1,342,137)	360,732
Fund balance June 30, 2016	<u>2,044,489</u>	<u>1,378,848</u>	<u>2,287,681</u>	<u>2,366,329</u>	<u>6,100,809</u>	<u>14,178,156</u>
Fund balance June 30, 2017	<u>\$ 2,211,595</u>	<u>\$ 588,442</u>	<u>\$ 3,435,978</u>	<u>\$ 3,544,201</u>	<u>\$ 4,758,672</u>	<u>\$ 14,538,888</u>

The accompanying notes are an integral part of this financial statement.

NOTES TO THE FINANCIAL STATEMENTS

**KENTUCKY 911 SERVICES BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 THROUGH JUNE 30, 2017**

Note 1 – Nature of Organization

The Commercial Mobile Radio Service Emergency Telecommunications Board of Kentucky (CMRS Board) was promulgated by Kentucky Revised Statute (KRS) 65.7623. KRS 65.7623 was later amended to attach the CMRS Board to the Kentucky Office of Homeland Security for administrative purposes. The name of the CMRS Board was changed to the Kentucky 911 Services Board (911 Board), and the composition of the board membership was changed by a revision to KRS 65.7623 effective July 15, 2016.

The 911 Board was reorganized by executive order in May 2017, which changed the composition of board membership again. The 911 Board continues to operate as an independent entity within state government, though the Kentucky Office of Homeland Security is responsible for managing the daily operations of the Board and its staff.

The 911 Board is charged with administering the CMRS fund, an interest-bearing deposit account held by the State Treasury for the purpose of implementing wireless emergency 911 services throughout the Commonwealth of Kentucky in accordance with state and federal legislation and regulation.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statement has been prepared on a cash basis of accounting modified by the application of KRS 45.229, a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under the cash basis of accounting, revenues are recognized when cash is received and expenditures are recorded when paid. The application of KRS 45.229 provides that for a period of 30 days after the close of any fiscal year, warrants may be drawn against available balances of appropriations made for that fiscal year, for the payment of expenditures incurred during the year or in fulfillment of contracts properly made during the year but for no other purpose.

Fund Accounting

The 911 Board uses fund accounting to report on the results of operations. A fund is a separate accounting unit with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The 911 Board uses funds to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

**KENTUCKY 911 SERVICES BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 THROUGH JUNE 30, 2017
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

Receipts

Receipts are collected in accordance with KRS 65.7635. Each wireless provider acts as a collection agent for the CMRS fund collecting the CMRS service charge levied upon CMRS connections as a part of the provider's normal monthly billing process. The providers remit collections, less a collection cost allowance of 1.5% of total collections, within 60 days after the end of a calendar month. This was changed to 30 days by the revision to KRS 65.7635, effective July 15, 2016.

Disbursements

The monies in the CMRS fund are apportioned among approved uses of the fund as specified by KRS 65.7631. No more than 2.5 percent of total monthly revenues shall be used to pay administrative expenses. Total monthly revenues of 17.5 percent were used to reimburse wireless providers certified by the 911 Board for the actual expenses incurred in complying with wireless emergency 911 service requirements. Total monthly revenues of 35 percent were distributed to Public Safety Answering Points (PSAPs) using a formula based on the total number of PSAPs requesting disbursement of funds. Total monthly revenues of 35 percent were distributed to PSAPs based on the number of wireless connections in that PSAP's geographical jurisdiction. Amounts distributed to PSAPs are to be used for the purposes of answering 911 calls and for compliance with wireless emergency 911 service requirements. Total monthly revenues of 10 percent deposited into the CMRS fund were to be disbursed or reserved for disbursement by the 911 Board to provide direct grants or matching money to PSAPs or providers. The grant monies are to be used to establish and improve enhanced 911 service. The allocation percentages changed for FY 2016 and FY 2017 to 2.5 percent for reimbursing wireless providers for actual expenses, 42.5 percent for PSAPs based on the number of PSAPs requesting reimbursement, and 42.5 percent for PSAPs based on the number of wireless connections.

Legislation passed by the 2016 Kentucky General Assembly created a system for the collection of 911 fees on prepaid wireless services at the point-of-sale (POS) under KRS 65.7634. Beginning January 1, 2017, any prepaid wireless transaction generates a \$.93 fee collected at POS. Those fees, minus a 3 percent collection allotment, are then remitted to the Kentucky Department of Revenue (DOR). DOR retains a 1 percent processing fee, then forwards the balance to the 911 Board. Also, KRS 65.7636 defined Lifeline providers of low-income wireless service and gave providers the responsibility of remitting the same monthly 911 fee assessment of \$.70 per month to the 911 Board as paid by postpaid wireless subscribers. A Lifeline provider is a provider participating in the wireless Lifeline program (a discount service for low income subscribers).

Note 3 – Cash and Cash Equivalents

All agency receipts are deposited into the CMRS Fund by the State Treasurer pursuant to KRS 65.7627. At June 30, 2017, the 911 Board had deposits and interest income of \$14,538,888. The 911 Board participates in the internal cash and investment pool of the Commonwealth of Kentucky. Therefore, it follows the policies established by the Commonwealth for all pooled cash investments. The risk disclosures related to deposits and investments are reported in the Commonwealth's Comprehensive Annual Financial Report (CAFR). Accordingly, the Commonwealth's CAFR for the years ended June 30, 2014, 2015, 2016, and 2017 should be referred to for disclosures required by the Governmental Accounting Standards Board. At the end of FY 2017, the 911 Board had interest of \$29,027 which had not been distributed to the funds.

KENTUCKY 911 SERVICES BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 THROUGH JUNE 30, 2017
(Continued)

Note 4 – Employee Retirement System

The employees of the 911 Board participate in the Kentucky Employees Retirement System (KERS) of the Commonwealth of Kentucky, administered by the Kentucky Retirement System. This is a cost sharing, multiple employer defined benefit pension plan covering substantially all regular full-time employees. The plan provides retirement, disability, and death benefits to plan members. KERS provides for cost-of-living adjustments at the discretion of the Kentucky legislature.

Employees who retire at or after age 65 with 48 months of credited service are entitled to a retirement benefit based on a range of 1.97 percent to 2.2 percent of their final average salary multiplied by their years of service. Final average salary is the employee's average of the three or five fiscal years during which the employee had the highest average monthly salary. Benefits fully vest on reaching five years of service. Vested employees may retire after 27 years of service and receive full benefits; or retire after age 55 and receive reduced benefits. The KERS provides retirement, as well as health care, disability, and death benefits to plan members. The KERS provides for cost-of-living adjustments at the discretion of the Kentucky legislature. Benefits are established by Kentucky Revised Statutes.

Employees hired before September 1, 2008 are required by state statute to contribute 5 percent of their salary to KERS. The 911 Board was statutorily required to contribute 48.59 percent in FY 2017, 38.77 percent in FY 2016, 38.77 percent in FY 2015, and 26.79 percent in FY 2014. Contributions were made for each year as follows: FY 2017 \$92,234; FY 2016 \$85,490; FY 2015 \$73,197; and FY 2014 \$46,232.

On June 27, 2008, House Bill 1, a pension reform measure, was signed into law. This legislation significantly impacted retirement benefits for employees who began participating with KERS on or after September 1, 2008. The law had a few provisions that affected then-current employees and retirees. Those employees beginning participation on or after September 1, 2008 are required to contribute 6 percent of their annual covered salary. Employers, including the 911 Board, continue to be required to contribute an actuarially determined rate. House Bill 1 contained a provision expressing the intent of the General Assembly to gradually increase the employer contributions to KERS beginning July 1, 2010.

Covered employees hired after December 31, 2013, are eligible to participate in a cash balance plan which requires employees to pay a pre-tax 5 percent rate based on creditable compensation. The employee's account is also credited with a 4 percent employer pay credit. In addition to the 5 percent contribution, all active employees participating on or after January 1, 2014 pay a 1 percent pretax contribution to the KERS Insurance Fund. At the end of each fiscal year, interest is paid into the employee's account. The account is guaranteed a 4 percent interest credit on the employee's account balance as of June 30 of the previous year. The employee's account may be credited with additional interest if the five-year average investment return exceeds 4 percent. At the time of termination, the employee is eligible to either take a refund of the accumulated account balance if vested (five or more years of service), or annuitize their account balance, if eligible for retirement. If the employee terminates employment and requests a refund prior to vesting, the employee is eligible only for the employee's contributions and associated interest, and forfeits the employer pay credit and associated interest.

**KENTUCKY 911 SERVICES BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 THROUGH JUNE 30, 2017
(Continued)**

Note 4 – Employee Retirement System (Continued)

Ten-year historical trend information showing the KERS' progress in accumulating sufficient assets to pay benefits when due (as well as financial statements and other required supplementary information) is presented in the Kentucky Retirement System's Annual Financial Report (which is a matter of public record). The Commonwealth's CAFR should be referred to for additional disclosures related to the Kentucky Employees Retirement System.

Because these financial statements are prepared on the modified cash basis, certain disclosures and financial statement accounts related to GASB 68 are not applicable; and therefore, not included in the financial statements or notes to the financial statements. For disclosures related to GASB 68, see the Commonwealth's CAFR.

In addition to the above defined benefit pension plan, the 911 Board's employees are also eligible to participate in two deferred compensation plans sponsored by the Commonwealth of Kentucky. These plans are organized as a Section 457 plan and as a Section 401(k) plan under the Internal Revenue Code. Both plans permit employees to defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death, or financial hardship. The Commonwealth's CAFR should be referred to for additional disclosures related to the deferred compensation plans.

KENTUCKY 911 SERVICES BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 THROUGH JUNE 30, 2017
(Continued)

Note 4 – Employee Retirement System (Continued)

Kentucky Employees' Retirement System
Governance KRS61.510 through KRS 61.705
Non-Hazardous

	Tier 1 Participation Prior to 9/1/2008	Tier 2 Participation 9/1/2008 through 12/31/2013	Tier 3 Participation on or after 1/1/2014
Covered Employees:	Substantially all regular full-time members employed in non-hazardous duty positions of any state department, board, or any agency directed by Executive Order to participate in the system.		
Benefit Formula:	Final Compensation x Benefit Factor x Years of Service		Cash Balance Plan
Final Compensation:	Average of the highest 5 fiscal years (must contain at least 48 months). Includes lump-sum compensation payments (before and at retirement).	5 complete fiscal years immediately preceding retirement; each year must contain 12 months. Lump-sum compensation payments (before and at retirement) are not to be included in creditable compensation.	No Final Compensation
Benefit Factor:	1.97%, or 2.0% for those retiring with service for all months between 1/1998 and 1/1999.	10 years or less = 1.10%. Greater than 10 years, but no more than 20 years = 1.30%. Greater than 20 years, but no more than 26 years = 1.50%. Greater than 26 years, but no more than 30 years = 1.75%. Additional years above 30 = 2.00% (2.00% benefit factor only applies to service earned in excess of 30 years).	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and methods adopted by the board based on member's accumulated account balance.
Cost of Living Adjustment (COLA):	No COLA unless authorized by the Legislature with specific criteria. This impacts all retirees regardless of Tier.		
Unreduced Retirement Benefit:	Any age with 27 years of service. Age 65 with 48 months of service. Money Purchase for age 65 with less than 48 months based on contributions and interest.	Rule of 87: Member must be at least age 57 and age plus earned service must equal 87 years at retirement to retire under this provision. Age 65 with 5 years of earned service. No Money Purchase calculations.	
Reduced Retirement Benefit:	Any age with 25 years of service. Age 55 with 5 years of service.	Age 60 with 10 years of service. Excludes purchased service (exception: refunds, omitted, free military).	No reduced retirement benefit

**KENTUCKY 911 SERVICES BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 THROUGH JUNE 30, 2017
(Continued)**

NOTE 5 – LAWSUIT SETTLEMENTS

The 911 Board sued TracFone Wireless, Inc. for not submitting the subscriber fees for prepaid wireless subscribers, including Lifeline subscribers. In November 2013, the 911 Board and TracFone entered into a settlement agreement in which TracFone agreed to pay the 911 Board \$4,849,143 to settle the lawsuit, including attorney's fees. After deducting attorney's fees of \$626,082, the 911 Board remitted the remaining funds to the five CMRS funds as follows:

Admin fund - 2.5 percent

Grant fund - 10 percent

The remaining balance of 88.5 percent was distributed at the following ratio:

Carrier Cost Recovery fund - 20 percent

PSAP Volume fund - 40 percent

PSAP Pro Rata fund - 40 percent

Whereas Virgin Mobile (see Subsequent Event Note 8) chose a “self-help” scheme by which they chose to offset their prepaid wireless fee overpayments from future ones, T-Mobile chose to make their prepaid wireless fee payments in a timely manner, requesting a refund after the fact. The suits, filed in 2009 and 2015, as well as the tax appeal filed in 2009, are pure refund actions. Citing the Supreme Court decision in the Virgin Mobile case, T-Mobile is demanding that they receive back the money paid to the 911 Board, along with the interest accrued thereon. According to T-Mobile's counsel, this demand is for more than \$1,700,000 in total, of which about \$600,000 is the principal. The 911 Board has defended the action using the defense in refund cases that the funds were paid to CMRS voluntarily with T-Mobile having a clear understanding of the law, thus they are not entitled to a refund. Both sides have moved for judgment before the Franklin Circuit Court. The 911 Board is awaiting a decision.

NOTE 6 – OFFICE SPACE

The 911 Board occupied office space owned by the Commonwealth of Kentucky through June 30, 2017, at a quarterly fee of \$3,603 or \$14,412 annually.

On June 30, 2017, the offices were relocated to the Kentucky Office of Homeland Security at 200 Mero Street, in the Transportation Cabinet building. The 911 Board pays no fee for occupying space at its current location.

NOTE 7 – TRANSFERS

As mandated by KRS 65.7631(4), any unobligated funds in the grant fund in excess of \$2,000,000 in any fiscal year must be redirected in equal portions to the call volume and pro rata funds, respectively. During FY 2017, the 911 Board approved a motion at its December 7, 2016 meeting to transfer \$759,695 out of the grant fund, to be split equally between the pro rata and call volume accounts. All transfers were recorded on the financial statements in the correct fund.

**KENTUCKY 911 SERVICES BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 THROUGH JUNE 30, 2017
(Continued)**

NOTE 8 – SUBSEQUENT EVENTS

The 911 Board received a \$473,318 judgment in August 2015 from Virgin Mobile for unremitted prepaid wireless fees. Virgin Mobile appealed the case to the Kentucky Court of Appeals, which upheld the judgment in July 2017. Virgin Mobile stated the intention to file an appeal with the Kentucky Supreme Court but did not file the appropriate paperwork to do so. The \$473,318 settlement was disbursed according to the existing CMRS funding formula in May 2018.

The 2018 Kentucky General Assembly passed House Bill 424, codifying the reorganization of the 911 Board, in April 2018. The bill set Board membership at seven members, codified the establishment of the 911 Advisory Council, transferred responsibility of the day-to-day operations of the 911 Board to the Kentucky Office of Homeland Security, and increased the cap on the grant fund to \$3,000,000 in obligated funds during a fiscal year.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of
Financial Statements Performed In Accordance With
*Government Auditing Standards***

Kentucky 911 Services Board
John Holiday, Chairman
200 Mero Street
Frankfort, KY 40601

Independent Auditor's Report

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis financial statements of the Kentucky 911 Services Board for the years ended June 30, 2014; June 30, 2015; June 30, 2016; and June 30, 2017, and the related notes to the financial statements and have issued our report thereon dated June 12, 2018, wherein we issued qualified opinions due to the inability to obtain sufficient appropriate audit evidence to ensure the accuracy, completeness and proper classification of accounting entries due to the amount of missing or inadequate documentation.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Kentucky 911 Services Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Kentucky 911 Services Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Kentucky 911 Services Board's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.



John Holiday, Chairman
Kentucky 911 Services Board
(Continued)

Internal Control Over Financial Reporting (Continued)

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses to be material weaknesses: 2017-001, 2017-002, 2017-003, 2017-004, and 2017-005.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses to be significant deficiencies: 2017-006, 2017-007, 2017-008, 2017-009, 2017-010, and 2017-011.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Kentucky 911 Services Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying Schedule of Findings and Responses as items 2017-004, 2017-005, 2017-006, 2017-007, 2017-008, and 2017-010.

We noted certain matters that we have reported to management of the Kentucky 911 Services Board in a separate letter dated June 12, 2018.

Kentucky 911 Services Board's Response to Findings

The Kentucky 911 Services Board's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Kentucky 911 Services Board's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

John Holiday, Chairman
Kentucky 911 Services Board
(Continued)

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Mike H", with a long horizontal stroke extending to the right.

Mike Harmon
Auditor of Public Accounts

June 12, 2018

SCHEDULE OF FINDINGS AND RESPONSES

**KENTUCKY 911 SERVICES BOARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2014 THROUGH JUNE 30, 2017**

***FINDING 2017 - 001: The Kentucky 911 Services Board Operated In An Environment Which Failed To Ensure The Completeness And Proper Classification Of Accounting Entries**

During fiscal years 2014, 2015, 2016, and 2017, the Kentucky 911 Services Board (formerly known as the Commercial Mobile Radio Service Board) operated in an environment which failed to ensure the completeness and proper classification of accounting entries for financial statement reporting. Supporting documentation was missing or inadequate for multiple material expenditure and receipt transactions that impacted all four years under audit.

In FY 2014, FY 2015, FY 2016, and FY 2017, the risk of material misstatement for the overall control environment is too high to issue an unmodified opinion as a result of missing documentation or support for transactions recorded in the accounting system.

The Kentucky 911 Services Board was reorganized in May 2017, and the prior staff is no longer employed by the Board. Various records and files remained; however, the current staff were unable to locate documentation.

As a result of these issues, it is not possible to verify that certain accounting entries were complete, accurate, and properly classified, or that the Board complied with applicable statutes. The overall impact of a deficient control environment increases the risk of inaccurate or falsified financial reporting as well as the possibility of noncompliance with statutes and regulations.

Sound accounting procedures dictate internal controls be established to prevent errors, fraud, waste, and abuse. Implemented internal controls should be documented, well-designed, and approved by management. Management should fully support its control environment. A control structure poorly designed or not operating is inadequate and ineffective in achieving its objectives.

Recommendation

We recommend the Board strengthen its control environment by ensuring adequate policies and procedures are in place and operating effectively going forward. Adequate supporting documentation should be maintained for all financial transactions in order to determine the transactions complied with appropriate statutes and were properly accounted for, authorized, and classified.

Management's Response and Planned Corrective Action

Generally accepted accounting policies and procedures already in place ensure the issues described in this FY 14-17 audit finding will not be repeated in future fiscal years.

* Findings may relate to FY 2014, 2015, 2016, and/or 2017. For referencing purposes, all finding numbers are prefixed with 2017.

**KENTUCKY 911 SERVICES BOARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2014 THROUGH JUNE 30, 2017
(Continued)**

FINDING 2017 - 001: The Kentucky 911 Services Board Operated In An Environment Which Failed To Ensure The Completeness And Proper Classification Of Accounting Entries (Continued)

Management's Response and Planned Corrective Action (Continued)

Following the issuance of an executive order on May 18, 2017, responsibility and oversight of the daily operations of the 911 Services Board were transferred to the Kentucky Office of Homeland Security (KOHS). To implement the executive order, the Board's office was moved from the Justice Cabinet Building at 125 Holmes Street to the KOHS office at 200 Mero Street in Frankfort.

By June 2017, none of the staff responsible for maintaining financial records for 47 of the 48 months covered by the audit period was still employed by the 911 Services Board. The Board operated on a skeleton staff for the next several months, with a newly appointed Board Administrator appointed May 18, 2017, relying on KOHS staff to administer the 2017 competitive grant program, disseminate quarterly PSAP pro rata and volume payments, and ensure wireless provider remittances were properly deposited.

Beginning with the transitional period of Board operational oversight in May 2017 and continuing through the course of the APA audit, which began in January 2018, the new 911 Services Board Administrator and staff realized the need for strengthening accounting policies and procedures in all facets of the Board's operations. The 911 Services Board administrator immediately began adopting generally accepted accounting policies and procedures already utilized by KOHS, from the areas of grant administration to cash receipts to journal voucher entries, to ensure the completeness and proper classification of accounting entries for financial statement reporting.

An Executive Assistant was hired in September 2017. Following the recently appointed administrator's departure from state government on December 31, 2017, the KOHS Deputy Executive Director assumed the role of 911 Services Board Administrator while retaining his original Deputy Executive Director position with KOHS. The Board added an Executive Advisor on February 1, 2018, hiring a certified 911 dispatcher and former emergency medical technician with an extensive information technology background. In April 2018, the position of Compliance Officer was created to further strengthen and solidify financial procedures and protocols. That position was filled on May 1, 2018 by hiring an employee with more than 20 years' experience in accounting, bookkeeping and tax compliance.

Although 911 Services Board staff made every effort to locate both paper and electronic supporting documentation, in several instances supporting documentation sought by Auditor of Public Accounts staff was unable to be found. It was often the case that some information relating to the request was located, but it lacked sufficient supporting documentation to meet standard accounting procedures.

**KENTUCKY 911 SERVICES BOARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2014 THROUGH JUNE 30, 2017
(Continued)**

FINDING 2017 - 001: The Kentucky 911 Services Board Operated In An Environment Which Failed To Ensure The Completeness And Proper Classification Of Accounting Entries (Continued)

Management's Response and Planned Corrective Action (Continued)

The newly hired 911 Services Board Compliance Officer is creating a policies and procedures manual for the KY 911 Services Board. 911 Services Board staff will utilize the existing Kentucky Office of Homeland Security policies and procedures manual as a guiding document and integrate KY 911 policies and procedures into the KOHS manual with a targeted completion date of September 30, 2018.

**KENTUCKY 911 SERVICES BOARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2014 THROUGH JUNE 30, 2017
(Continued)**

FINDING 2017 - 002: The Kentucky 911 Services Board Did Not Provide Supporting Documentation For The Number Of Telephone Subscribers For FY 2014

The Kentucky 911 Services Board (formerly known as the Commercial Mobile Radio Services Board) telecommunication carriers collect 70 cents from individual cellular telephone subscribers as required by KRS 65.7629. The carriers send the funds to the Kentucky 911 Services Board on a monthly basis. The carriers are permitted to retain 1.5% of the amount collected as an administrative fee. During the audit for fiscal years (FY) 2014 through 2017, the Kentucky 911 Services Board was unable to provide supporting documentation for the carrier payments and the number of telephone subscribers for FY 2014.

After a reorganization occurred in May 2017, approximately three staff members who were employed during fiscal years 2014, 2015, 2016, and 2017 separated from employment with the Kentucky 911 Services Board. Various records and files remained; however, the current personnel could not locate documentation related to the carrier payments for FY 2014.

Without documentation of the payments and the number of telephone subscribers, it was not possible to verify the total funds that should have been received. The Kentucky 911 Services Board may have received more or less money than they should have. The Kentucky 911 Services Board cannot determine if the carriers complied with the KRS requirement to remit all funds and retain only 1.5% for administrative fees.

KRS 65.7629(3)(b), as effective in Fiscal Year 2014, stated:

The CMRS service charge shall be seventy cents (\$0.70) per month per CMRS connection, and shall be collected in accordance with KRS 65.7635 beginning August 15, 1998. The amount of the CMRS service charge shall not be increased except by act of the General Assembly;

KRS 65.7635(4), as effective in Fiscal Year 2014, stated:

To reimburse itself for the cost of collecting and remitting the CMRS service charge, each CMRS provider may deduct and retain from the CMRS service charges it collects during each calendar month an amount not to exceed one and one-half percent (1.5%) of the gross aggregate amount of CMRS service charges it collected that month.

Recommendation

We recommend the Kentucky 911 Services Board ensure procedures are implemented to ensure the correct amount of funds are collected from the carriers and confirm that the carriers are in compliance with the KRS.

**KENTUCKY 911 SERVICES BOARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2014 THROUGH JUNE 30, 2017
(Continued)**

FINDING 2017 - 002: The Kentucky 911 Services Board Did Not Provide Supporting Documentation For The Number Of Telephone Subscribers For FY 2014 (Continued)

Management's Response and Planned Corrective Action

Generally accepted accounting policies and procedures already in place ensure the issues described in this FY 14-17 audit finding will not be repeated in future fiscal years.

Following the issuance of an executive order on May 18, 2017, responsibility and oversight of the daily operations of the 911 Services Board were transferred to the Kentucky Office of Homeland Security (KOHS). To implement the executive order, the Board's office was moved from the Justice Cabinet Building at 125 Holmes Street to the KOHS office at 200 Mero Street in Frankfort.

By June 2017, none of the staff responsible for maintaining financial records for 47 of the 48 months covered by the audit period was still employed by the 911 Services Board. The Board operated on a skeleton staff for the next several months, with a newly appointed Board Administrator appointed May 18, 2017, relying on KOHS staff to administer the 2017 competitive grant program, disseminate quarterly PSAP pro rata and volume payments, and ensure wireless provider remittances were properly deposited.

Beginning with the transitional period of Board operational oversight in May 2017 and continuing through the course of the APA audit, which began in January 2018, the new 911 Services Board Administrator and staff realized the need for strengthening accounting policies and procedures in all facets of the Board's operations. The 911 Services Board administrator immediately began adopting generally accepted accounting policies and procedures already utilized by KOHS, from the areas of grant administration to cash receipts to journal voucher entries, to ensure the completeness and proper classification of accounting entries for financial statement reporting.

An Executive Assistant was hired in September 2017. Following the recently appointed administrator's departure from state government on December 31, 2017, the KOHS Deputy Executive Director assumed the role of 911 Services Board Administrator while retaining his original Deputy Executive Director position with KOHS. The Board added an Executive Advisor on February 1, 2018, hiring a certified 911 dispatcher and former emergency medical technician with an extensive information technology background. In April 2018, the position of Compliance Officer was created to further strengthen and solidify financial procedures and protocols. That position was filled on May 1, 2018 by hiring an employee with more than 20 years' experience in accounting, bookkeeping and tax compliance.

**KENTUCKY 911 SERVICES BOARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2014 THROUGH JUNE 30, 2017
(Continued)**

FINDING 2017 - 002: The Kentucky 911 Services Board Did Not Provide Supporting Documentation For The Number Of Telephone Subscribers For FY 2014 (Continued)

Management's Response and Planned Corrective Action (Continued)

Although 911 Services Board staff made every effort to locate both paper and electronic supporting documentation, in several instances supporting documentation sought by Auditor of Public Accounts staff was unable to be found. It was often the case that some information relating to the request was located, but it lacked sufficient supporting documentation to meet standard accounting procedures.

The Compliance Officer has already reviewed all wireless provider payments for FY 2018 and is contacting any delinquent providers. Also, new reporting requirements from legislation passed by the 2016 Kentucky General Assembly will provide a greater opportunity for Board staff to ensure wireless provider payments align with wireless provider subscriber counts. Current Board staff created a template to allow providers an efficient and uniform method of complying with new subscriber reporting requirements of KRS 65.7630(4), which was disseminated to providers in March 2018. Staff is currently compiling 2017 and 2018 provider reports, ensuring wireless providers are utilizing the new template that includes monthly subscriber counts of prepaid, postpaid and Lifeline customers. While most providers have completed subscriber reports in the new format, staff is working with delinquent accounts with a deadline of submission of June 30, 2018.

**KENTUCKY 911 SERVICES BOARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2014 THROUGH JUNE 30, 2017
(Continued)**

FINDING 2017 - 003: The Kentucky 911 Services Board Was Unable To Provide Supporting Documentation Needed To Verify The Accuracy Of The Prepaid Service Charges

The Kentucky 911 Services Board (formerly known as the Commercial Mobile Radio Services Board) collects a \$.93 flat rate on retail transactions involving the purchase of cell phones and prepaid calling cards effective January 1, 2017 as required by KRS 65.7634. This fee is collected by the retailer from the purchaser at the time of purchase. Retailers remit fees monthly, either electronically to the Department of Revenue (DOR) along with sales tax, or by sending a paper check to the board along with a CMRS Prepaid Service Charge Return (911 Fee) form. The form documents the retailer name, number of transactions, tax due and paid, along with interest and penalties, if applicable. However, the form is only remitted with checks, not EFTs. DOR remits prepaid fees it collects from retailers to the 911 Services Board monthly by EFT.

The Board cannot identify the amount paid by each carrier for EFT transactions. During the audit period, DOR did not provide the Board a detailed breakdown of which entities provided payments for the month. During the audit, the Kentucky 911 Services Board was unable to provide supporting documentation needed to verify the accuracy of the prepaid service charges for FY 2017.

In addition, retailers may retain 3 percent of the tax due as an administrative collection fee and DOR may deduct a processing fee up to 1 percent of the amount collected each month. However, without detailed information, the Board cannot determine if retailers or DOR are retaining the correct amount.

After a reorganization occurred in May 2017, approximately three staff members who were employed during fiscal years 2014, 2015, 2016, and 2017 separated from employment with the Kentucky 911 Services Board. The internal control process for implementing the new KRS was not established prior to the staff departing.

Without documentation of the prepaid service charge amounts by carrier, it was not possible to verify the accuracy of the prepaid funds received from the carriers. The Kentucky 911 Services Board may have received more or less money than they should have. Also, the Kentucky 911 Services Board cannot determine if DOR and retailers comply with the KRS requirement to keep only 1% and 3% of the tax due, respectively, as an administrative collection fee.

KRS 65.7634 states:

- (1) Beginning January 1, 2017, a CMRS prepaid service charge shall be imposed at a flat rate of ninety-three cents (\$0.93) on each retail transaction involving the purchase or sale of:
 - (a) Cellular phones preloaded with a set dollar amount for minutes or units of air time, or sold with rebates for air time;
 - (b) Calling cards for cellular phones preloaded with a set dollar amount for minutes of units or air time;
 - (c) The recharging of a reusable cellular phone calling card; and
 - (d) The recharging of a cellular phone itself with additional minutes or units of air time.

**KENTUCKY 911 SERVICES BOARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2014 THROUGH JUNE 30, 2017
(Continued)**

FINDING 2017 - 003: The Kentucky 911 Services Board Was Unable To Provide Supporting Documentation Needed To Verify The Accuracy Of The Prepaid Service Charges (Continued)

- (2) The CMRS prepaid service charge imposed by subsection (1) of this section shall be collected by the retailer from the purchaser at the time of purchase for each purchase sourced to this state as provided in KRS 139.105. The amount of the CMRS prepaid service charge shall be either separately stated on an invoice, receipt, or other similar document that is provided to the purchaser by the retailer, or otherwise disclosed to the purchaser.
- (3) The CMRS prepaid service charge shall be paid by the purchaser, and shall not constitute a liability of the retailer or of any prepaid wireless telecommunications service provider.
- (4) All amounts collected by the retailer shall be deemed to be held in trust by the retailer for and on account of the Commonwealth, shall constitute a debt of the retailer to the Commonwealth, and shall be remitted to the Department of Revenue as provided in KRS 142.100 to 142.135.
- (5) The CMRS prepaid service charge amount collected by a retailer from a purchaser shall not be included in the base for measuring any tax, fee, surcharge, or other charge that is imposed by the state, any political subdivision of the state, or any intergovernmental agency if the amount is separately stated on an invoice, receipt, or a similar document provided to the consumer by the retailer.

KRS 142.115(3) states:

To reimburse itself for the cost of collecting and remitting the CMRS prepaid service charge, each retailer may deduct and retain from the CMRS prepaid service charge it collects during each calendar month an amount not to exceed three percent (3%) of the gross aggregate amount of the CMRS prepaid service charges it collected that month.

KRS 142.135(1) states:

The department shall transmit the amounts remitted to it by retailers as required by KRS 142.105 to the board on a monthly basis. From each deposit, the department may deduct an amount equal to the actual operating and overhead expenses incurred in the collection and administration of the CMRS prepaid service charge, not to exceed one percent (1%) of the amount collected. The department shall report its actual expenses to the board on a quarterly basis.

Recommendation

We recommend the Kentucky 911 Services Board put procedures in place to ensure the correct amount of funds are collected from DOR and recorded in the Board records by carrier. The Board should also ensure DOR is in compliance with the relevant statutes.

**KENTUCKY 911 SERVICES BOARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2014 THROUGH JUNE 30, 2017
(Continued)**

FINDING 2017 - 003: The Kentucky 911 Services Board Was Unable To Provide Supporting Documentation Needed To Verify The Accuracy Of The Prepaid Service Charges (Continued)

Management's Response and Planned Corrective Action

Generally accepted accounting policies and procedures already in place ensure the issues described in this FY 14-17 audit finding will not be repeated in future fiscal years.

Following the issuance of an executive order on May 18, 2017, responsibility and oversight of the daily operations of the 911 Services Board were transferred to the Kentucky Office of Homeland Security (KOHS).

By June 2017, none of the staff responsible for maintaining financial records for 47 of the 48 months covered by the audit period was still employed by the 911 Services Board.

Beginning with the transitional period of Board operational oversight in May 2017 and continuing through the course of the APA audit, which began in January 2018, the new 911 Services Board Administrator and staff realized the need for strengthening accounting policies and procedures in all facets of the Board's operations.

As referenced in the above finding, 911 fees are collected by retailers at point-of-sale for prepaid wireless customers. Consumers have the opportunity to reload wireless cellular minutes directly from their wireless provider either at provider-owned retail outlets or through provider web sites. However, consumers can also reload wireless cellular minutes at other retail outlets, such as gas stations, convenience stores or grocery stores. In the latter cases, the retailer may offer prepaid wireless cards for multiple wireless providers. As such, under current statutes the retailer is not required to match each wireless transaction to a particular wireless provider.

The current 911 Services Board Administrator was appointed January 1, 2018. On January 24, 2018, the Board Administrator initiated contact with the Department of Revenue to establish a protocol for the Board to receive a monthly breakdown of prepaid remittances from wireless cellular providers (a decision was made to ask only for provider breakdowns because, as explained above, there is no way to determine which wireless provider to link a remittance to when transactions are made at a retail outlet, such as a grocery store, convenience store or gas station). Board staff completed non-disclosure agreements with DOR and began receiving wireless provider breakdowns from DOR on March 8, 2018. DOR provided the Board provider breakdowns backdated to January 2017, the implementation date of the new prepaid point-of-sale 911 fee collection program. Due to the nature of retail POS collection, the Board will not be able to track every remittance collected at POS to each CMRS provider as Kentucky retailers are not required to match prepaid wireless sales to individual wireless providers. However, analysis of data collected from DOR indicates more than 70% of all prepaid revenues are collected directly by wireless providers.

**KENTUCKY 911 SERVICES BOARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2014 THROUGH JUNE 30, 2017
(Continued)**

FINDING 2017 - 003: The Kentucky 911 Services Board Was Unable To Provide Supporting Documentation Needed To Verify The Accuracy Of The Prepaid Service Charges (Continued)

Management's Response and Planned Corrective Action (Continued)

Again, because consumers can purchase wireless minutes to any number of wireless providers at a retail outlet—such as a gas station, convenience store or grocery store—there is no methodology under current statutes to isolate every retail transaction to its corresponding wireless provider. To do so would require all Kentucky retailers at point-of-sale to identify, record and transmit a report to either DOR or the Board indicating the connection between each prepaid wireless transaction and its corresponding wireless provider. Any attempt at passing such legislation through the Kentucky General Assembly would be met with resistance from the retail community as arbitrary and burdensome.

Based on information the Board receives from DOR, the recently hired Board Compliance Officer tracks remittances by providers and compares customer zip code reports to both prepaid and postpaid remittances. However, as indicated above, reconciling prepaid remittances to customer zip code reports submitted by wireless providers does not allow the 911 Services Board the opportunity to completely reconcile remittances to reported subscriber counts.

KRS 142.115 provides retailers the opportunity to retain up to 3% of prepaid 911 service charges each month to offset the cost of collecting and remitting the fees. Past 911 Services Board staff did not establish a mechanism to receive detailed information on prepaid remittances from DOR. Following action taken by the current 911 Services Board Administrator in February 2018, Board staff is now able to track gross versus net remittances based on information received from DOR to ensure compliance with the statute for FY 2018 and beyond.

KRS 142.135 allows DOR to retain up to 1% of the monthly CMRS prepaid services charges it received monthly to offset actual operating and overhead expenses incurred in the collection of the fees. Past 911 Services Board staff did not establish a mechanism to receive detailed information on prepaid remittances from DOR. Following action taken by the current 911 Services Board Administrator in February 2018, Board staff is now able to track gross versus net remittances based on information received from DOR to ensure compliance with the statute for FY 2018 and beyond.

**KENTUCKY 911 SERVICES BOARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2014 THROUGH JUNE 30, 2017
(Continued)**

FINDING 2017 - 004: The Kentucky 911 Services Board Did Not Maintain Documentation To Support The Volume, Pro-Rata, And Wireless Provider Fund Payments To The PSAPs

The Kentucky 911 Services Board (formerly known as the Commercial Mobile Radio Service Board) collects money from telecommunication carriers and remits those monies to Public Safety Answering Points (PSAPs), which are certain facilities receiving 911 calls. The monies collected are divided into the Volume Receipts Fund and the Pro-Rated Receipts Fund. For the Volume Receipts Fund, a quarterly distribution of the balance in the fund is made to the PSAPs based on the volume of cellular phone calls received by the PSAP. For the Pro-rated Receipts Fund, a quarterly distribution is made based on the balance in the fund divided by the total number of PSAP shares. Each PSAP generally has one share, unless they previously consolidated with another PSAP.

For fiscal years 2014, 2015, 2016, and 2017, payments were made using the Checkwriter document type in the state's accounting system. Checkwriter payments totaled \$39,095,959 for the Volume Receipts Fund and \$37,356,442 for the Pro-Rated Receipts Fund. The Kentucky 911 Services Board was unable to locate documentation of the quarterly account balance upon which the distribution was for both the Volume and Pro-Rated Receipts funds. Also, the support for the volume of calls used to calculate the Volume Receipt Fund payment was unable to be located.

Another fund, the Wireless Providers Fund, reimburses wireless carriers based on invoices submitted and approved by the Board. The Checkwriter documents were used to make the distributions during fiscal years 2014, 2015, 2016, and 2017. Payments totaled \$14,671,353 for the Wireless Providers Fund. The Kentucky 911 Services Board could not locate any documentation supporting the payments made with the Checkwriter document. Thus, it cannot be determined if the correct carriers received the correct amount of approved funds from the Wireless Providers Fund. This fund will be terminated due to a change in Kentucky Revised Statutes as soon as the final authorized invoices are paid.

The Kentucky 911 Services Board was reorganized in May 2017 and the prior staff left the Board. Various records and files remained; however, the current staff were unable to locate the documentation, which had been prepared and filed by previous staff.

Proper documentation was not maintained to support the Volume, Pro-Rata, and Wireless Provider fund payments to the PSAPs on Checkwriter documents. As a result, it cannot be determined if the payment to the PSAP was correctly calculated; therefore, the individual PSAPs could have been under or overpaid. Also, it cannot be determined if the telecommunication providers received the correct amount of money from the Wireless Providers Fund.

Further, it cannot be determined if the Kentucky 911 Services Board complied with Kentucky Revised Statutes (KRS) or Kentucky Administrative Regulations (KAR) relating to the calculations of the monies in the Volume and Pro-Rated Receipts funds or the payment of the Wireless Providers Fund.

**KENTUCKY 911 SERVICES BOARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2014 THROUGH JUNE 30, 2017
(Continued)**

FINDING 2017 - 004: The Kentucky 911 Services Board Did Not Maintain Documentation To Support The Volume, Pro-Rata, And Wireless Provider Fund Payments To The PSAPs (Continued)

KRS 65.7631 details the apportionment of money in the CMRS fund. After several special allocations, the remaining balance is split into the Pro Rata and Volume funds based on subsection (5) which states, in relevant part:

- (a) Fifty percent (50%) of the remaining balance to be allocated under this subsection shall be distributed according to the "PSAP pro rata formula," whereby each receives a percentage determined by dividing one (1) by the total number of PSAPs eligible to request and actually requesting disbursements under subsection (6) of this section. Any PSAPs certified before January 1, 2004, or for more than three (3) years, that choose to consolidate their operations shall continue to receive pro-rata shares as if they remained separate and distinct entities. The consolidated entity must be certified to receive funds under subsection (6) of this section; and
- (b) Fifty percent (50%) of the remaining balance to be allocated under this subsection shall be distributed according to a method chosen by the board and based on the wireless workload of the PSAP. Methods to be considered may be based on the number of wireless 911 calls answered by each PSAP, the number of wireless phone users served by each PSAP, or any other method deemed by the board to be reasonable and equitable. The method chosen by the board shall be promulgated as a regulation under KRS 65.7633.

Regarding the Wireless Providers fund, KRS 65.7631(3)(a), effective July 15, 2016, states in pertinent part, "Two and one-half percent (2.5%) of the total monthly revenues deposited into the CMRS fund shall be used solely for the purpose of reimbursing the actual expenses incurred by tier III CMRS providers from June 30, 2011, to January 1, 2016, for complying with requirements established by the FCC order." Prior to July 15, 2016, KRS 65.7536(4) described the method of allowing carriers to submit invoices and be reimbursed for actual costs in complying with the FCC order. This fund will cease to exist after all the carriers currently expecting reimbursement are paid.

Recommendation

We recommend the Kentucky 911 Services Board evaluate current procedures to ensure documentation for the calculation of the amounts sent to the individual PSAPs is maintained and supported to ensure compliance with the statutes.

Management's Response and Planned Corrective Action

Following the issuance of an executive order on May 18, 2017, responsibility and oversight of the daily operations of the 911 Services Board were transferred to the Kentucky Office of Homeland Security (KOHS). To implement the executive order, the Board's office was moved from the Justice Cabinet Building at 125 Holmes Street to the KOHS office at 200 Mero Street in Frankfort.

**KENTUCKY 911 SERVICES BOARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2014 THROUGH JUNE 30, 2017
(Continued)**

FINDING 2017 - 004: The Kentucky 911 Services Board Did Not Maintain Documentation To Support The Volume, Pro-Rata, And Wireless Provider Fund Payments To The PSAPs (Continued)

Management's Response and Planned Corrective Action (Continued)

By June 2017, none of the staff responsible for maintaining financial records for 47 of the 48 months covered by the audit period was still employed by the 911 Services Board.

Accounting procedures already in place ensure the circumstances described in this audit finding will not be repeated in future fiscal years.

Previous 911 Board staff, all of whom left the 911 Services Board by June 2017, maintained a substantial amount of electronic financial records, but often did not include supporting documentation. This is especially true with regard to Checkwriter transactions, which is particularly troublesome as the Checkwriter utility does not allow users to access supporting documentation within the program itself.

Since assuming control of daily Board operations in May 2017, the 911 Services Board no longer utilizes Checkwriter to issue call volume, pro rata payment and carrier cost recovery payments. Instead, Board staff use eMars GAX documents to issue payments. Hard copy documentation and Excel workbook records are maintained and filed for each disbursement.

Effective May 2018, the 911 Services Board Executive Assistant attaches the Daily Cash Balance report which details the available balance in each funding account prior to issuing a request for disbursement of a call volume, pro rata or carrier cost recovery payments in eMars to provide additional validation.

KENTUCKY 911 SERVICES BOARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2014 THROUGH JUNE 30, 2017
(Continued)

FINDING 2017 - 005: The Kentucky 911 Services Board Did Not Adequately Monitor PSAPs

The Kentucky 911 Services Board (formerly known as the Commercial Mobile Radio Service Board) collects money from telecommunication carriers and remits those monies to Public Safety Answering Points (PSAPs), which are certain facilities receiving 911 calls. The monies collected are divided into the Volume Receipts Fund and the Pro-Rated Receipts Fund, and the quarterly payments are made to eligible PSAPs from each fund.

During the FY 2014 through FY 2017 audit, a sample of 10 PSAPs was selected for site visits from the auditor to verify the correct amount of receipts were received by the PSAP, expenses complied with applicable statutes and regulations, the annual PSAP Revenue/Expenditure Report submitted to the Board agreed to the PSAP supporting records, and grant agreement documentation was maintained. The PSAPs are required to have an audit every two years by KRS 65.7629(13), but audits had not been conducted in the last four years, thus documentation was reviewed for FY 2014 through FY 2017. The issues noted during the testing include:

Expenses

- In nine of 10 PSAPs visited, cellular and landline cost were not prorated based on call volume as required by 202 KAR 6:090. Some PSAPs made an arbitrary allocation, such as 50/50 percent or 80/20 percent split, but there was not supporting documentation to justify how those ratios compared to call volume. In other PSAPs, expenses were not prorated; however, the PSAP had enough qualifying expenses to ensure the Board funds were spent on allowable items, even though the PSAP was not in compliance with the regulation.
- One PSAP is responsible for several other PSAPs across the state. The funds that are received centrally are not allocated to the individual PSAPs based on the allocation determined by the Board. Any of the PSAPs across the state may expend the funds received centrally.
- One PSAP purchased a vehicle in FY 2014 using \$6,700 in CMRS funds to cover half the cost of the purchase. This is not an allowable use of CMRS funds. The vehicle is still being used by the County, but is no longer used for 911 department purposes.
- Documentation related to expenses and transfers was not adequate for situations in six of the 10 PSAPs. Specifically, the following issues were noted:
 - One PSAP recorded a transfer of FY 2016 telephone expenses to FY 2017. The transfer amount was a lump sum and not tied to specific telephone expenses.
 - One PSAP did not maintain documentation for a capital project.
 - The allocation methodology of insurance expenses included charges for the 911 department, but there was no documentation of the methodology used to arrive at the calculations for each department's insurance charge.
 - For one PSAP, which is also a state agency, \$400,000 was transferred from the CMRS fund to cover payroll expenditures in FY 2014. The funds were never transferred back, and there is no way to determine if these transferred funds were used for allowable expenditures.

**KENTUCKY 911 SERVICES BOARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2014 THROUGH JUNE 30, 2017
(Continued)**

FINDING 2017 - 005: The Kentucky 911 Services Board Did Not Adequately Monitor PSAPs
(Continued)

- For one PSAP, the wireless account had more expenses than revenues but, for accounting purposes, the account should not maintain a negative balance. In order to resolve the large negative account balance, only a few expenses (\$37,500) were recorded in the wireless account in FY 2016. More expenses than usual were then recorded in FY 2017. This was partially done by moving allowable expenses from the FY 2016 to the FY 2017 account.
- One PSAP's payroll records for September 2013, April 2014, and May 2014 were calculated incorrectly based on the payroll register provided. Based on the rates of pay and hours on the register, the employees were overpaid by approximately \$200 each for each of the three months. The reason for this was not determined.

Receipts

- The total sent to one PSAP by the Board did not agree to the PSAP's records. For FY 2014 and FY 2015 respectively, CMRS showed \$98,789 and \$56,627 more going to this PSAP than the PSAP recorded as received.

PSAP Revenue/Expenditure Report

- The revenues for the CMRS fund line on the PSAP Revenue/Expenditure Report were incorrectly reported in five of the 10 PSAPs.
- The total expenditures line was either not supported or inaccurately reported for four of the 10 PSAPs.

Grants

- Three of the 10 PSAPs could not locate complete grant records for grants awarded by the Board.

The specific details of the exceptions have been provided to the management of the Kentucky 911 Services Board to assist in the PSAPs' corrective action.

The issues noted in the individual PSAPs above have multiple causes including staff turnover at the PSAPs and the Board. However, lack of monitoring of the PSAPs' expenses and evaluation of the Annual Survey Report of Revenue and Expenses by the Board contributed to the issues identified above. Several of the PSAPs visited also indicated the directors or other knowledgeable personnel had left in the past four years.

The Kentucky 911 Services Board is not in compliance with KRS 65.7629(13), which requires an audit of the PSAPs every two years. Audits are an effective method of monitoring receipts and expenses and ensuring compliance with applicable laws. The Board did not implement effective monitoring and without adequate monitoring, noncompliances, errors, or poor internal controls may result.

**KENTUCKY 911 SERVICES BOARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2014 THROUGH JUNE 30, 2017
(Continued)**

FINDING 2017 - 005: The Kentucky 911 Services Board Did Not Adequately Monitor PSAPs
(Continued)

Many of the PSAPs sampled operated on the basis that as long as enough qualifying expenses existed, the PSAP did not need to track individual expenses to the payments from the Board. As a result, PSAPs may not be complying with 202 KAR 6:090, which requires a detailed allocation related to CMRS funds.

Without support for the receipts by the PSAP, it could not be determined if the PSAP or the Board records documented the amount of receipts accurately. The PSAP Revenue/Expenditure Reports were not correct; therefore, the information is not reliable. This information has been used in the annual report by the Board, which is required by KRS 65.7629(9). The PSAPs could not support that the grant funds were expended as authorized by the grant.

KRS 65.7629(13) states the Board shall retain, “an independent certified public accountant who shall audit, once every twenty-four (24) months, the books of the board, CMRS providers, and PSAPs eligible to request or receive disbursements from the CMRS fund....” The Board did not meet this requirement, resulting in an audit covering a four-year period.

202 KAR 6:090 states the CMRS funds received by PSAPs are to be expended for wireless only costs and if wireless and wireline costs are shared, the expense should be prorated based on the call traffic from wireless users. Most PSAPs reviewed are not tracking specific expenses, and several did not know the call volume. Therefore, some PSAPs are not in compliance with this regulation; however, adequate qualifying expenses would be available and allowable for CMRS funds.

KRS 65.7631(5) discusses the apportionment of money in the CMRS funds to the PSAPs and specifically states that “all amounts distributed to PSAPs under this subsection shall be used by the PSAPs solely for the purposes of answering, routing, and properly disposing of CMRS 911 calls, training PSAP staff, and public education concerning appropriate use of 911, in accordance with KRS 65.760(4) and (5).”

KRS 65.760(4) and (5) provide a detailed list, by category, of allowable and unallowable expenses for CMRS funds. However, KRS 65.760 does not distinguish between wireless and wireline calls. KRS 65.760 indicates revenues can be expended “only to the extent that the expenditure is directly attributable to the establishment, operation, or maintenance of a PSAP, the delivery of 911 emergency services, or the provision of wireless enhanced 911 services....”

KRS 65.7629(9) states the Board shall “submit annual reports ..., which shall provide an accounting for all CMRS service charges deposited into the CMRS fund during the preceding fiscal year and all disbursements to CMRS providers and PSAPs during the preceding fiscal year.” The PSAP information is reported based on the PSAP Revenue/Expenditure Reports submitted by each PSAP. If these reports are inaccurate, the PSAP data in the annual report may not be accurate.

**KENTUCKY 911 SERVICES BOARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2014 THROUGH JUNE 30, 2017
(Continued)**

FINDING 2017 - 005: The Kentucky 911 Services Board Did Not Adequately Monitor PSAPs
(Continued)

Per KRS 65.7631(4), grant funds are to be provided to the PSAPs for:

- (a) For the establishment and improvement of 911 services in the Commonwealth...
- (b) For incentives to create more efficient delivery of 911 services by local governments receiving funding ...
- (c) For improvement of 911 infrastructure by Tier III wireless providers receiving funding...and
- (d) For consolidation reimbursement....

Without supporting documentation, compliance with the grant as awarded by the Board cannot be determined.

Recommendation

We recommend the Kentucky 911 Services Board:

- Provide training to the PSAPs on properly documenting and recording receipts and expenses to ensure compliance with the KAR.
- Provide training to the PSAPs on proper completion of the PSAP Revenue/Expenditure Report.
- Obtain audits of the PSAPs biennially and review the results to determine corrective actions needed.
- Consider verifying the CMRS receipts line on the PSAP Revenue/Expenditure Reports since the Board tracks the amounts sent to each PSAP to ensure accuracy.
- Request that PSAPs maintain grant fund records.
- Re-evaluate 202 KAR 6:090 for consistency and accuracy, especially considering the relevant statutes were revised in July 2016.

Management's Response and Planned Corrective Action

Following the issuance of an executive order on May 18, 2017, responsibility and oversight of the daily operations of the 911 Services Board were transferred to the Kentucky Office of Homeland Security (KOHS). To implement the executive order, the Board's office was moved from the Justice Cabinet Building at 125 Holmes Street to the KOHS office at 200 Mero Street in Frankfort.

By June 2017, none of the staff responsible for maintaining financial records for 47 of the 48 months covered by the audit period was still employed by the 911 Services Board. The Board operated on a skeleton staff for the next several months, with a newly appointed Board Administrator appointed May 18, 2017, relying on KOHS staff to administer the 2017 competitive grant program, disseminate quarterly PSAP pro rata and volume payments, and ensure wireless provider remittances were properly deposited.

**KENTUCKY 911 SERVICES BOARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2014 THROUGH JUNE 30, 2017
(Continued)**

FINDING 2017 - 005: The Kentucky 911 Services Board Did Not Adequately Monitor PSAPs
(Continued)

Management's Response and Planned Corrective Action (Continued)

Beginning with the transitional period of Board operational oversight in May 2017 and continuing through the course of the APA audit, which began in January 2018, the new 911 Services Board Administrator and staff realized the need for strengthening accounting policies and procedures in all facets of the Board's operations. The 911 Services Board administrator immediately began adopting generally accepted accounting policies and procedures already utilized by KOHS, from the areas of grant administration to cash receipts to journal voucher entries, to ensure the completeness and proper classification of accounting entries for financial statement reporting.

An Executive Assistant was hired in September 2017. Following the recently appointed administrator's departure from state government on December 31, 2017, the KOHS Deputy Executive Director assumed the role of 911 Services Board Administrator while retaining his original Deputy Executive Director position with KOHS. The Board added an Executive Advisor on February 1, 2018, hiring a certified 911 dispatcher and former emergency medical technician with an extensive information technology background. In April 2018, the position of Compliance Officer was created to further strengthen and solidify financial procedures and protocols. That position was filled on May 1, 2018 by hiring an employee with more than 20 years' experience in accounting, bookkeeping and tax compliance.

Although 911 Services Board staff made every effort to locate both paper and electronic PSAP files and supporting grant documentation, in several instances files and documentation sought by Auditor of Public Accounts staff was unable to be found.

Below are completed and/or planned corrective actions for each item addressed in this audit finding:

- ***Provide training to the PSAPs on properly documenting and recording receipts and expenses to ensure compliance with the KAR.***
- ***Provide training to the PSAPs on proper completion of the PSAP Revenue/Expenditure Report.***

The Kentucky 911 Service Board regularly collaborates with organizers of the Kentucky Emergency Services Conference, the Commonwealth's largest gathering of PSAP management and staff. 911 Services Board staff will request time at the 2018 conference, to be held September 4-7, 2018 in Louisville, to conduct a training session for PSAPs on proper procedures for documenting and recording receipts and expenses to ensure

**KENTUCKY 911 SERVICES BOARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2014 THROUGH JUNE 30, 2017
(Continued)**

FINDING 2017 - 005: The Kentucky 911 Services Board Did Not Adequately Monitor PSAPs
(Continued)

Management's Response and Planned Corrective Action (Continued)

- compliance with 202 KAR 6:090. For those unable to attend, Board staff will notify all PSAP directors of the posting of the PowerPoint presentation to the Board's web site at 911board.ky.gov. Board staff will also notify all certified PSAP directors that Board staff is available to train any PSAP upon request.*
- ***Obtain audits of the PSAPs biennially and review the results to determine corrective actions needed.***
*Current 911 Services Board staff found evidence from past audits (pre-FY 2014) utilized by past administrations conducted by outside firms showing a random sampling of PSAPs (typically 10) were selected for revenue/expense audits. The outside auditors conducted the PSAP audits and Board staff notified PSAPs of any audit findings and requested corrective actions. However, no documentation exists supporting any Board-initiated audit procedures, schedule or results for **all PSAPs** to be conducted on a biennial basis. The 911 Services Board Administrator met with staff from the Kentucky Auditor of Public Accounts (APA) in January 2018 and requested the APA to develop a schedule for reviewing all Board-certified PSAPs on a biennial basis. This effort is scheduled to begin by January 1, 2019. The newly hired Kentucky 911 Services Board Compliance Officer will collaborate with all certified PSAPs to initiate and implement corrective actions, if any deficiencies are identified through the review process (to include findings from the FY 2014-17 audit conducted by APA).*
 - ***Consider verifying the CMRS receipts line on the PSAP Revenue/Expenditure Reports since the Board tracks the amounts sent to each PSAP to ensure accuracy.***
The 911 Services Board Compliance Officer will initiate a protocol to validate the CMRS receipts line on the PSAP Revenue/Expenditure reports for FY 2018 and beyond.
 - ***Request the PSAPs to maintain grant fund records.***
Beginning with grants from the 2017 competitive grant cycle, which were awarded in July 2017, the 911 Services Board implemented current KOHS grant fund record protocols. A grant orientation is conducted for each recipient prior to a contract being issued informing the recipient of all requirements to properly execute the grant. A grant folder is maintained by both the PSAP and the Board containing the original grant application, PSAP revenue/expense report, PSAP budget, project description & justification, procurement declaration, peer review evaluation, grant terms and conditions, and documentation supporting payment(s) to execute the contract. In order for the grant to be closed, a grant

**KENTUCKY 911 SERVICES BOARD
SCHEDULE OF FINDINGS AND RESPONSES
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(Continued)**

FINDING 2017 - 005: The Kentucky 911 Services Board Did Not Adequately Monitor PSAPs
(Continued)

Management's Response and Planned Corrective Action (Continued)

closeout meeting is conducted with the grant recipient. During the closeout meeting, the PSAP is required to have complete matching documentation to the Board's grant file, and photographs of the equipment purchased with the grant to complete the file. Although the Board can verify all appropriate grant paperwork is in the hands of the PSAP upon closing out of the grant, the Board is unable to ensure the PSAP maintains the file in perpetuity.

- ***Re-evaluate the KAR for consistency and accuracy, especially considering the KRS' were revised in July 2016.***

The current 911 Services Board Administrator also serves as the Deputy Executive Director of KOHS. As part of his KOHS duties, he is the legislative liaison for K911/KOHS. The Board administrator will work with LRC staff to craft updated language for 202 KAR 6:090 to reflect changes from 2016 HB 585.

**KENTUCKY 911 SERVICES BOARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2014 THROUGH JUNE 30, 2017
(Continued)**

FINDING 2017 - 006: The Kentucky 911 Services Board Did Not Properly Track Grants Awarded

The Kentucky 911 Services Board (formerly known as the Commercial Mobile Radio Service Board) provides grants to Public Safety Answering Points (PSAPs) which are facilities receiving 911 calls in a specific area. As part of the audit of fiscal years 2014, 2015, 2016, and 2017 the auditor reviewed the grant records for eight PSAPs to determine if supporting documentation for payments was maintained. For one of the eight, the documentation for a payment of \$630,582 made in FY 2015 for a FY 2014 grant award was not on file.

During the years under audit, the grants could be awarded in one year and the reimbursement request made to the Kentucky 911 Services Board several years later. The Board maintained several list of PSAPs awarded grants; however, each list contained different information. None of the lists provided enough information to determine when the funds were expended and the balance of obligations for the specific fiscal year at a point in time.

The Kentucky 911 Services Board was reorganized in May 2017, and the prior staff left the Board. Various records and files remained; however, the current staff were unable to locate the documentation for these transactions made by previous staff.

Without proper documentation, grant funds could be expended for ineligible items.

Failure to track the grants creates budgeting difficulties when the amount of grant funds to be expended is unpredictable from one year to the next due to the total amount of open grants being unknown. Also, by not consistently tracking the grants closed, the Board is unaware if the final amount paid was less than the grant award, which would make additional funds available for more grants the next year.

Without tracking the grants, it is not possible to clearly document that KRS 65.7631 is followed; thus, the Board may not be in compliance with this statute. The balance of unobligated funds cannot be determined, so the Board may not be aware with the unobligated amount reaches \$2,000,000, at which time an additional disbursement is required by the statute.

Good internal control dictates that adequate documentation be provided for all grants. The documentation provided should support the amount paid. KRS 65.7631(4) states:

Ten percent (10%) of the total monthly revenues deposited into the CMRS fund shall be disbursed or reserved for disbursement to provide direct grants, matching money, or funds to PSAPs as determined by the Kentucky 911 Services Board....When the balance of money collected under this subsection and not yet obligated for permitted uses exceeds two million dollars (\$2,000,000) in any fiscal year, the excess amount shall be allocated under subsection (5) of this section.

Without a mechanism to track when the grants are closed, the amount of funds that have become unobligated cannot be determined.

**KENTUCKY 911 SERVICES BOARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2014 THROUGH JUNE 30, 2017
(Continued)**

FINDING 2017 - 006: The Kentucky 911 Services Board Did Not Properly Track Grants Awarded
(Continued)

Recommendation

We recommend the Kentucky 911 Services Board evaluate current procedures to ensure documents are maintained and develop a tracking log to record the status of grants and payments, thus ensuring compliance with statute.

Management's Response and Planned Corrective Action

Generally accepted accounting policies and procedures already in place ensure the circumstances described in this audit finding will not be repeated in future fiscal years.

The Kentucky Office of Homeland Security (KOHS) is responsible for administering more than \$3 million per year in state and federal grants outside the 911 Services Board's competitive grant program. Following the transfer of responsibility for daily operations of the 911 Services Board in May 2017, no Board staff employed during the audit period remained with the Board by June 2017. The current 911 Services Board staff adopted KOHS grant protocols for the 2017 competitive grant cycle, awarded in July 2017, including maintaining a grant log by fiscal year. New Board staff also ensured all previous fiscal year grants were closed out by the end of the 2017 calendar year as past Board staff had allowed grants to continue beyond grant contract expiration dates. This practice was problematic as an updated grant log had not been maintained, leading to unexpected reimbursements in FY 2018 in excess of \$200,000 from previous grant cycles that should have already been closed out.

**KENTUCKY 911 SERVICES BOARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2014 THROUGH JUNE 30, 2017
(Continued)**

FINDING 2017 - 007: The Kentucky 911 Services Board Did Not Maintain Adequate Documentation Of Services Provided By A Contractor And Paid The Contractor From A Restricted Use Fund

During the Kentucky Services 911 Board (formerly known as the Commercial Mobile Radio Services Board) audit for fiscal years (FY) 2014 through 2017, expenditures related to contracts were reviewed. One contractor had multiple contracts over the audit period and several issues were noted:

- The contracts identified the funding source as a CMRS Grant Fund. Based on KRS 65.7631, only PSAPs are entitled to receive money from this fund.
- The contracts were created to assist the Board in developing an updated Statewide 911 plan, among other consulting duties; however, the plan has not been updated since August 1, 2009. There is no evidence this major portion of the contract was started.
- The contract required monthly invoices or reports, but only three invoices could be located (all for FY 2016) by current personnel for the four-year period, totaling \$20,918. From FY 2014 to FY 2017, payments of \$233,149 were made to the contractor, though not on a monthly basis and support was missing for most payments.

After a reorganization occurred in May 2017, approximately three staff members who were employed during fiscal years 2014, 2015, 2016, and 2017 separated from employment with the Kentucky 911 Services Board. Various records and files remained; however, the current personnel could not locate approval to use the grant funds to pay the contract, evidence of a revised statewide 911 plan, or most of the documentation related to the contract payments.

The lack of documentation calls into question the validity of the payments to the contractor. Without invoices or reports documenting the progress of the contract deliverables, and the lack of the main deliverable (a statewide 911 plan), it cannot be verified services were received as intended. In addition, the payments were made from a fund with a restricted purpose which results in the PSAPs (Public Safety Answering Points, which are facilities receiving 911 calls in a specific area) not receiving the maximum amount of funds possible.

KRS 65.7631(4) states:

Ten percent (10%) of the total monthly revenues deposited into the CMRS fund shall be disbursed or reserved for disbursement to provide direct grants, matching money, or funds to PSAPs as determined by the Kentucky 911 Services Board:

- (a) For the establishment and improvement of 911 services in the Commonwealth, including the implementation of next generation 911 capacity;
- (b) For incentives to create more efficient delivery of 911 services by local governments receiving funding under subsection (5) of this section;
- (c) For improvement of 911 infrastructure by Tier III wireless providers receiving funding under this section; and

**KENTUCKY 911 SERVICES BOARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2014 THROUGH JUNE 30, 2017
(Continued)**

FINDING 2017 - 007: The Kentucky 911 Services Board Did Not Maintain Adequate Documentation Of Services Provided By A Contractor And Paid The Contractor From A Restricted Use Fund (Continued)

- (d) For consolidation reimbursement of two hundred thousand dollars (\$200,000) per PSAP, not to exceed four hundred thousand dollars (\$400,000) per county, to any PSAP that consolidates with a CMRS-certified PSAP, or creates a newly consolidated Phase II compliant PSAP. Funds shall be applied toward the cost of consolidating. If a PSAP consolidates and receives reimbursement, the Kentucky 911 Services Board shall not certify a new PSAP within the same county for a period of ten (10) years.

KRS 45A.695(10) states:

- (a) No payment shall be made on any personal service contract unless the individual, firm, partnership, or corporation awarded the personal service contract submits its invoice for payment on a form established by the committee.
- (b) Invoices shall be submitted every ninety (90) days, unless the personal service contract specifies a different submission time period.
- (c) Separate invoices shall be submitted for each distinct matter covered by the personal service contract, and shall be signed by the individual responsible for that matter.
- (d) Each invoice shall contain the following information:
 - 1. A description of the matter covered by the invoice;
 - 2. The date each service was performed;
 - 3. A full description of each service;
 - 4. The name and title of each individual who worked on the matter, and the time the individual spent on the matter;
 - 5. The subject matter and recipient of any correspondence;
 - 6. A full description of any work product produced, designating the way in which the work product is associated with the matter being invoiced;
 - 7. The hourly rate for each individual working on the matter, and the total charge for that individual for each matter invoiced;
 - 8. An itemized list of all disbursements to be reimbursed by the state for each matter invoiced;
 - 9. The total charge for each matter;
 - 10. The combined total for services and disbursements for the billing period;
 - 11. The tax identification number of the entity awarded the personal service contract; and
 - 12. An indication on each invoice of whether or not the invoice is final.

**KENTUCKY 911 SERVICES BOARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2014 THROUGH JUNE 30, 2017
(Continued)**

FINDING 2017 - 007: The Kentucky 911 Services Board Did Not Maintain Adequate Documentation Of Services Provided By A Contractor And Paid The Contractor From A Restricted Use Fund (Continued)

Recommendation

We recommend the Kentucky 911 Services Board:

- Evaluate actions necessary as a result of using the 630C CMRS Grant Funds in violation of the KRS.
- Evaluate the options for updating the August 2009 Statewide 911 Plan.
- Consider contacting the contractor and request, at a minimum, invoices to support the payments made in FY 2014 through FY 2017.

Management's Response and Planned Corrective Action

1. *Evaluate actions necessary as a result of using the 630C CMRS Grant Funds in violation of the KRS.*

In consulting with the Board Chairman and 911 Services Board Administrator, it was determined the past administration's payment of \$233,149 in technical consultant payments was a violation of KRS 65.7631 as the statute clearly states the 630C Grant Fund can only be disseminated to Kentucky Certified PSAPs. Regardless of whether or not a previous Board and/or Board staff approved the use of 630C grant funds to pay a technical consultant, any such payment should have been paid out of the 1322 Administrative Fund. Although no Board or staff members remain from the time period when payments were made out of the inappropriate funds, this does not absolve the current Board staff from rectifying the inappropriate use of grant funds intended for Kentucky's certified 911 call centers. Therefore, \$233,149 was transferred from the 1322 Administrative Fund to the 630C Grant Fund. This action was completed on June 1, 2018.

2. *Evaluate the options for updating the August 2009 Statewide 911 Plan.*

The 911 Services Board staff submitted an RFP for a new technical consultant in February 2018. Five vendors submitted proposals. The proposals were scored by an RFP evaluation team consisting of subject matter experts inside and outside of state government in May 2018 with an expected contract start date of July 1, 2018. The RFP included a provision that the winning vendor would complete an updated state Next Generation 911 plan to the Board by November 1, 2018.

**KENTUCKY 911 SERVICES BOARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2014 THROUGH JUNE 30, 2017
(Continued)**

FINDING 2017 - 007: The Kentucky 911 Services Board Did Not Maintain Adequate Documentation Of Services Provided By A Contractor And Paid The Contractor From A Restricted Use Fund (Continued)

Management's Response and Planned Corrective Action (Continued)

- 3. *Consider contacting the contractor and request, at a minimum, invoices to support the payments made in FY14 through FY17.***

The primary consultant utilized by the Board during the audit period, filed for Chapter 11 bankruptcy on May 1, 2015. The company no longer exists. Execution of the current RFP will be properly followed by Board staff, including monitoring measurable deliverables, receiving regular written reports and qualifying requests for reimbursement by properly scrutinizing consultant invoices to measure work billed against the RFP's scope of work.

**KENTUCKY 911 SERVICES BOARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2014 THROUGH JUNE 30, 2017
(Continued)**

FINDING 2017 - 008: The Kentucky 911 Services Board Did Not Comply With KRS 65.7629 Regarding Annual Reports And Biennial Audits

During the fiscal year 2014 through 2017 audit of the Kentucky 911 Services Board (formerly known as the Commercial Mobile Radio Services Board), annual reports and audits were reviewed for compliance with Kentucky Revised Statutes (KRS).

KRS 65.7629(9) requires the Kentucky 911 Services Board to submit annual reports to the Auditor of Public Accounts 60 days after the end of the fiscal year, which is August 31 of each year. The Board approved the annual reports at the following Board meetings:

- 2014 - December 3, 2014
- 2015 - March 2, 2016
- 2016 - December 7, 2016
- 2017 - December 19, 2017

If the reports were not approved until the dates above, the approved annual reports could not have been submitted timely to the Auditor of Public Accounts.

In addition, regarding audit reports, the Board, CMRS providers, and Public Safety Answering Points (PSAP, known as 911 centers) are required to be audited once every two years. The Board is over two years late in being audited and did not maintain audit documentation for the audits of the providers and PSAPs. The most recent audit of the Board was for fiscal years 2012 and 2013. Fiscal year 2012 and 2013 audits of PSAPs and providers were mentioned in the 2015 annual report as being received and reviewed by the Board. However, the Board personnel could not locate a copy of any provider reports, and the most recent PSAP report located was for fiscal year 2008.

Some delay could be accounted for by the annual report deadline not coinciding with the Board meeting schedule. Other causes of the delay are not known.

The Board is not in compliance with the statute requiring annual reports to be submitted to Auditor of Public Accounts 60 days after the year-end, and is not in compliance with the required audit of the Board, providers, and PSAPs every two years. Lack of annual reports could result in interested parties not receiving the Board information timely. Lack of audits could result in incorrect information being submitted to the Board or unallowable purchases being made by the PSAPs with Board funds.

KRS 65.7629 requires the Board:

- (9) To submit annual reports to the Auditor of Public Accounts no later than sixty (60) days after the close of each fiscal year, which shall provide an accounting for all CMRS service charges deposited into the CMRS fund during the preceding fiscal year and all disbursements to CMRS providers and PSAPs during the preceding fiscal year.

**KENTUCKY 911 SERVICES BOARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2014 THROUGH JUNE 30, 2017
(Continued)**

FINDING 2017 - 008: The Kentucky 911 Services Board Did Not Comply With KRS 65.7629 Regarding Annual Reports And Biennial Audits (Continued)

- (13) To retain, with approval by the Auditor of Public Accounts, an independent certified public accountant who shall audit, once every twenty-four (24) months, the books of the board, CMRS providers, and PSAPs eligible to request or receive disbursements from the CMRS fund under KRS 65.7631 for the following purposes:
- (a) To verify the accuracy of collection, receipts, and disbursements of all revenues derived from the CMRS service charges and the number of wireless E911 calls received by each PSAP eligible to request or receive disbursements from the CMRS fund;
 - (b) To determine whether the revenues generated by the CMRS service charges equal, exceed, or are less than the costs incurred in order to comply with the FCC order;
 - (c) To determine the sufficiency of the funds currently being withheld for administrative purposes under KRS 65.7631(2); and
 - (d) To verify the accuracy of CMRS customer count information reported to the board by CMRS providers.

Recommendation

We recommend the Board evaluate the process of preparing annual reports to ensure timely Board approval and submission. We further recommend the Board take steps to ensure audits of providers and PSAPs are completed timely.

Management's Response and Planned Corrective Action

Following the issuance of an executive order on May 18, 2017, responsibility and oversight of the daily operations of the 911 Services Board were transferred to the Kentucky Office of Homeland Security (KOHS). To implement the executive order, the Board's office was moved from the Justice Cabinet Building at 125 Holmes Street to the KOHS office at 200 Mero Street in Frankfort.

By June 2017, none of the staff responsible for maintaining financial records for 47 of the 48 months covered by the audit period was still employed by the 911 Services Board.

The 911 Services Board Administrator entered an agreement with the Kentucky Auditor of Public Accounts on January 4, 2018, to bring the Board up to date with statutorily required audits. Furthermore, the 911 Services Board has an agreement with APA to continue performing audit functions on behalf of the Board moving forward to ensure compliance with KRS 65.7629(13).

**KENTUCKY 911 SERVICES BOARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2014 THROUGH JUNE 30, 2017
(Continued)**

FINDING 2017 - 008: The Kentucky 911 Services Board Did Not Comply With KRS 65.7629 Regarding Annual Reports And Biennial Audits (Continued)

Management's Response and Planned Corrective Action (Continued)

Regarding the annual report requirement, the Board will make every attempt to meet the requirement of KRS 65.7629(9) for FY 2018. However, completion of the annual report is contingent upon receipt of revenue/expenditure reports from all certified public safety answering points (PSAPs), currently numbering 116. Past Board staff notified PSAPs more than 60 days after the end of the fiscal year to request this information. For this fiscal year, Board staff will issue the request by the end of the fiscal year of June 30, 2018. Board staff will aggressively engage with PSAPs to return completed FY 2018 revenue/expenditure reports in a timely matter. Moving forward, the Board will seek modification of KRS 65.7629(9) by the 2019 Kentucky General Assembly to require annual reports are to be submitted to the APA no later than November 30 of each calendar year. This deadline is consistent with other state government entities, including the Office of Homeland Security.

**KENTUCKY 911 SERVICES BOARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2014 THROUGH JUNE 30, 2017
(Continued)**

FINDING 2017 - 009: The Kentucky 911 Services Board Did Not Have A Policy And Procedure Manual

The Kentucky 911 Services Board (formerly known as the Commercial Mobile Radio Services Board) is a small Board which had approximately three staff members during fiscal years 2014, 2015, 2016, and 2017. The three staff members separated from employment with the Board around May 2017. Various records and files remained; however, there was no documentation of the policies and procedures used to run the Board's daily operations.

It is unknown why written procedures were not documented by the previous staff. Time constraints and competing job demands to complete tasks, lack of prioritizing the need for written procedures, and the departure of knowledgeable employees resulted in the lack of written procedures with the current staff.

The lack of written procedures creates a risk for a breakdown in the internal control structure. New employees attempting to fill the duties of those who left have difficulty understanding the required daily or monthly tasks when written procedures are not available for reference. New employees may not be aware of certain tracking or monitoring mechanisms that should occur until several months have passed or an audit is conducted. The lack of a policy and procedure manual for the operations of the Board makes it difficult for new personnel to explain the previous processes to auditors or other entities if necessary.

Good internal controls ensure, at a minimum, that written procedures exist to guide staff in making decisions. Written policies and procedures help prevent mistakes, ensure compliance, save time, provide staff training, ensure consistency, improve quality and provide an accurate accounting of the funds.

Recommendation

We recommend the current personnel at the Kentucky 911 Services Board develop a written policy and procedure manual to document the daily, monthly, and yearly activities necessary for the operation of the Board.

Management's Response and Planned Corrective Action

Following the transition of daily oversight of the 911 Services Board to the Kentucky Office of Homeland Security through the issuance of Executive Order 2017-298 in May 2017, no 911 Services Board staff that were employed during the period covered by the audit were still employed by the Board as of June 2017. New Board staff found no record of a written policies and procedures manual. New Board staff is in the process of creating a written policies and procedures manual outlining roles and responsibilities for all facets of office operations. 911 Services Board staff will utilize the existing Kentucky Office of Homeland Security policies and procedures manual as a guiding document and integrate KY 911 policies and procedures into the KOHS manual. The target completion date for the 911 Services Board written policies and procedures manual is September 30, 2018.

**KENTUCKY 911 SERVICES BOARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2014 THROUGH JUNE 30, 2017
(Continued)**

FINDING 2017 - 010: The Kentucky 911 Services Board Did Not Maintain Documentation Of PSAP Certification Applications And Final Approvals

The Kentucky 911 Services Board (formerly known as the Commercial Mobile Radio Service Board) is responsible for certifying Public Safety Answering Points (PSAPs) which are facilities receiving 911 calls in a specific area. PSAPs submit an application and the Board reviews and approves the application. Once PSAPs are certified, they are eligible for funding through the Board's receipts from carriers. The application and other required correspondence is maintained in folders at the Board's office. During the FY 2014 through FY 2017 audit, three new PSAPs were certified; however, the folders containing the applications and certification documentation for these three PSAPs were missing.

The Kentucky 911 Services Board was reorganized in May 2017, and the prior staff separated from employment with the Board. Various records and files remained; however, the current staff were unable to locate PSAP documentation, which had been prepared and filed by previous staff.

Without documentation, the Board cannot be certain the PSAPs are properly certified and in compliance with 200 KAR 6:050. Only certified PSAPs are authorized to receive funding from the Board. The Board could be paying noncertified PSAPs, which would mean the certified PSAPs did not receive all the funding to which they were entitled.

202 KAR 6:050 details the requirements for the PSAP certification process:

Necessity, Function, and Conformity. . . KRS 65.7631(4)(a) states that no PSAP shall be eligible to request or receive a disbursement from the CMRS fund unless and until the PSAP is expressly certified as a PSAP by the CMRS Board, upon written application to the CMRS Board. . . .

Section 1. Phase I Certification.

(4) A PSAP seeking certification shall send to the board, by certified mail, return receipt requested, the following:

(a) A completed "CMRS PSAP Certification Application";

(b) A copy of:

1. Documentation which establishes the PSAPs authority to establish 9-1-1 service in accordance with KRS 65.760; . . .

(e) A description of:

1. The PSAP's ability or anticipated ability to handle the data elements associated with wireless E9-1-1 calls; and

2. The anticipated use of the CMRS funds, in accordance with KRS 65.7631.

(6) After its initial review, the board shall:

(a) Require submission of other necessary documentation; and

(b) Schedule an on-site inspection by a member or members of the board.

**KENTUCKY 911 SERVICES BOARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2014 THROUGH JUNE 30, 2017
(Continued)**

FINDING 2017 - 010: The Kentucky 911 Services Board Did Not Maintain Documentation Of PSAP Certification Applications And Final Approvals (Continued)

Section 2. Application for Certification.

- (1) An application for certification shall be stamped "Confidential". Proprietary information received by the board shall be filed and maintained so as to maintain its confidentiality in accordance with KRS 65.7639 and 202 KAR 6:030.
- (2) The board shall review and act upon an application for certification within ninety (90) days of receipt. Board action on the application shall be determined by a simple majority vote.
- (3) Within ten (10) business days of its decision, written notice of the board's approval or disapproval of an application shall be sent to the PSAP, certified mail, return receipt requested.

Recommendation

We recommend the Kentucky 911 Services Board contact the PSAPs and request documentation of certification. Also, the Board should review procedures to ensure the certified PSAP folders contain all necessary information in the future.

Management's Response and Planned Corrective Action

Following the issuance of an executive order on May 18, 2017, responsibility and oversight of the daily operations of the 911 Services Board were transferred to the Kentucky Office of Homeland Security (KOHS). To implement the executive order, the Board's office was moved from the Justice Cabinet Building at 125 Holmes Street to the KOHS office at 200 Mero Street in Frankfort.

By June 2017, none of the staff responsible for maintaining financial records for 47 of the 48 months covered by the audit period was still employed by the 911 Services Board.

Corrective actions have been initiated, and newly adopted systems will require design and/or planning for onboarding. Staff must determine, with any input available, what should be maintained by the board (guided by regulation and utility) in a "PSAP File" or facsimile thereof.

**KENTUCKY 911 SERVICES BOARD
SCHEDULE OF FINDINGS AND RESPONSES
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(Continued)**

FINDING 2017 - 010: The Kentucky 911 Services Board Did Not Maintain Documentation Of PSAP Certification Applications And Final Approvals (Continued)

Management's Response and Planned Corrective Action (Continued)

This will require research and discussions with PSAP directors. Once a list is developed, each folder should be evaluated and logged in the new system (spreadsheet, or project management system). After deployment, PSAPs should either be sent the spreadsheet with delinquencies, or given access to the project management system to review the workflow results.

One of the issues identified during the audit was that there were no central logs of records for PSAP folders, nor were there any systems in place to track who had a record and when. Implementing an asynchronous system as an index or log, but also as an easy reference to the records' trackable metadata, would be an effective solution.

This solution could take multiple forms, one of which is a centrally accessible spreadsheet. The spreadsheet could divide each PSAP by tabs or sheets and act as a container for metadata (example: Major dates the PSAP accomplished a task, signatories, service jurisdictions, etc.). This would offer the staff an at-a-glance snapshot of compliance, record completeness and PSAP details. Tasks on what each PSAP folder is missing could be built from data obtained from this spreadsheet. As a side effect, in order to build this system, each record must be reviewed by staff so that the information may be used to build out the system. The work product will be a strong baseline to begin a more efficient record-keeping system.

Alternatively, a broader solution could be employed that will assist not only with this particular issue, but the record keeping process of the entire office. A modern, cloud-based project management solution would allow for highly customizable workflow designs. These workflows would allow for the collection of information through web-based forms (so PSAP application forms and questionnaires could be completed digitally), automatic generation of tasks that the staff need to complete based on third-party actions, and a digital record of all activity related to each PSAP file.

**KENTUCKY 911 SERVICES BOARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2014 THROUGH JUNE 30, 2017
(Continued)**

FINDING 2017 - 011: The Kentucky 911 Services Board Did Not Maintain Adequate Supporting Documentation For Expenditure Transactions

During the Kentucky 911 Services Board (formerly known as the Commercial Mobile Radio Service Board) audit, fiscal year 2014, 2015, 2016, and 2017 supporting documentation was requested for 18 journal vouchers. Journal vouchers are used to adjust account balances, make corrections to other transactions, or transfer monies between funds. The journal vouchers with missing or inadequate supporting documentation totaled \$13,113,139 and the total by fiscal year is as follows: FY 2014 \$182,137; FY 2015 \$180,210; FY 2016 \$181,182; and FY 2017 \$12,569,609. The Kentucky 911 Services Board was unable to provide any documentation for 14 of the vouchers, though one was explained adequately in eMARS, the statewide accounting system. The documentation for another three journal vouchers was not adequate to support the transaction. For five of the journal vouchers, the amount of the journal voucher could not be agreed to eMARS to verify the correct amount and account were entered.

In addition, four purchase requisitions (PRCs) and two internal transfer documents (IET/ITAs) were tested. Two of the PRCs and the two IET/ITAs had no or inadequate support. The unsupported IET was for \$2,491 in FY 2015, and the unsupported ITA was for \$1,000 in FY 2017.

The Kentucky 911 Services Board was reorganized in May 2017, and the prior staff separated from employment with the Board. Various records and files remained; however, the current staff were unable to locate documentation for these transactions made by previous staff.

When adequate supporting documentation is not maintained, the accuracy of the amounts and the account coding in the state's accounting system cannot be verified as correct. The justification for the transaction and the support for the amount of the transaction should be maintained to resolve any subsequent questions or issues. When journal vouchers are involved, the reason behind the movement of the funds is important in verifying the appropriateness and allowability of the transaction. Creating journal vouchers that are not properly supported increases the risk of errors, omissions, and misstatements on the financial statements.

Good internal control dictates that adequate documentation be provided for all accounting entries. The documentation provided should support the amount of the entry and provide adequate rationale for the entry. Supporting documentation should be reviewed for appropriateness and mathematical correctness prior to the final approval of the entry.

Recommendation

We recommend the Kentucky 911 Services Board evaluate current procedures to ensure supporting documentation is maintained and to support accounting transactions.

**KENTUCKY 911 SERVICES BOARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2014 THROUGH JUNE 30, 2017
(Continued)**

FINDING 2017 - 011: The Kentucky 911 Services Board Did Not Maintain Adequate Supporting Documentation For Expenditure Transactions (Continued)

Management's Response and Planned Corrective Action

Following the issuance of an executive order on May 18, 2017, responsibility and oversight of the daily operations of the 911 Services Board were transferred to the Kentucky Office of Homeland Security (KOHS).

By June 2017, none of the staff responsible for maintaining financial records for 47 of the 48 months covered by the audit period was still employed by the 911 Services Board.

Accounting procedures already in place ensure the circumstances described this audit finding will not be repeated in future fiscal years.

During the course of the current FY 2017-17 audit, 911 Board and KOHS staff were made aware of the lack of documentation to support journal voucher (JV) entries from transactions made by former 911 Services Board staff.

KOHS has always maintained a log of JV entries but staff were unable to locate a log for the 911 Services Board. Since overtaking responsibility for daily 911 Services Board operations in May 2017, Board staff has maintained a JV log. Further, beginning in May 2018 both the 911 Services Board and KOHS have implemented a policy of uploading supporting documentation in eMars with any JV entry.