

# OFFICE OF THE CITY AUDITOR

## 9-1-1 EMERGENCY SERVICE FEES



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May 13, 2005

## Memorandum



CITY OF DALLAS

May 13, 2005

Honorable Mayor and Members of the City Council  
City of Dallas

We have conducted a review of the sources and uses of the 9-1-1 Emergency Service Fees for the period October 1, 1998, through July 2004.

The City is authorized by the State of Texas to collect fees and use those fees in the administration of 9-1-1 services. We reviewed the sources, uses, and restrictions of those fees. We also consulted with the City Attorney's Office regarding Enterprise funding of the 9-1-1 fund.

As a result of our review, nothing came to our attention to indicate that 9-1-1 funding is not used in compliance with laws, regulations, or other requirements. However, principal financial controls were not followed, including City Council approval, when Enterprise funds were transferred from the Aviation Department and when a \$2.2 million loan was made with a vendor. Due to the limited amount of time devoted to this review, we feel that an expanded scope audit is in order. Our findings are included in the attached report.

Paul T. Garner

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Assistant City Auditor

c: Mary K. Suhm, Acting City Manager

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## 9-1-1 EMERGENCY SERVICE FEES

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## EXECUTIVE SUMMARY

We have conducted a review of the City's 9-1-1 Emergency Service Fees. Our audit period was October 1, 1998, through July 2004.

We have summarized our Opportunities for Improvement below.

- The City has not paid vendors in a timely manner for reimbursable costs and administrative directives were not followed.
  - Adequate funds need to be reserved to pay vendor invoices for 9-1-1 expenses.
  - Proper procedures were not followed in obtaining a "loan" from the Aviation Construction fund. This "loan" was not submitted for City Council approval nor was there a formal document defining the terms and conditions of this "loan".
- A financial agreement was executed with a high rate of interest, approximately 11%.

We also identified issues that warrant further review. These issues are:

- Assessing the operational requirements for technology upgrades and staffing needs to be performed.
- Assessing the impact of loss of revenue from land-based telephone fees.
- Performing a detailed expenditure analysis.
- Location of the 9-1-1 operations center.

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# INTRODUCTION

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## Authorization

We completed a review of 9-1-1 Emergency Service Fees (9-1-1 Fees) administered by the City of Dallas. We conducted this review under the authority of Chapter IX, Section 2 of the Dallas City Charter and in accordance with the Annual Audit Plan approved by the City Council.

## Scope and Methodology

We performed our review in accordance with generally accepted government auditing standards and included tests of the accounting and related records, inquiries, and other audit procedures that we considered necessary in the circumstances. This review was performed in accordance with Government Auditing Standards, Section 2.07(b), which covers an entity's compliance with requirements of specified laws, regulations, rules, contracts, or grants.

The objective of the review was to determine if 9-1-1 funding is used in compliance with laws, regulations, or other requirements.

We conducted a review of 9-1-1 Fees for the period October 1, 1998, through July 2004, although we examined certain events and transactions occurring before and after that period.

After discussions with the City Attorney's Office regarding the 9-1-1 Fees, we reviewed the sources, uses, and restrictions placed upon the use of the collected fees. Due to the limited time allocated for this audit, we did not ascertain and verify that individual expenditures and cost allocations within Dallas Fire and Rescue (DFR), Dallas Police Department (DPD), and Communication and Information Services (CIS) comply with State statutes.

## Overall Conclusion

As a result of our review, nothing came to our attention to indicate that 9-1-1 funding is not used in compliance with laws, regulations, or other requirements. However, there are administration and financing issues that are of concern.

We found that Emergency service fees have been used for 9-1-1 operations before service providers are reimbursed for their 9-1-1 outlays. When the balance in the 9-1-1 Fund was not sufficient to pay vendors, the City used other funding mechanisms to pay vendors.

- The Aviation construction fund was used to "loan" funds to the 9-1-1 Fund (fund 0191) to pay telecommunication vendors for 9-1-1 related expenses. This loan

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## INTRODUCTION

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was neither submitted to the City Council for approval nor was there a formal document defining terms and conditions of the “loan.”

- The City has entered into a financial agreement that is, in effect, a loan with a high rate of interest.

During the audit, we found additional fiscal and operational concerns of the 9-1-1 operations that warrant further review. These concerns are discussed in the Opportunities for Improvement section of this report.

### Background

In September 1985, the voters of Dallas authorized the establishment of 9-1-1 services. The communication center, created as a result of the implementation of the 9-1-1 service, is referred to as a “Public Safety Answering Point” or PSAP. In 1988, an enhanced 9-1-1 system was installed at a cost of \$3.397 million. A source of funding for the enhancements was provided by the Aviation Capital fund and the Data Services Operating fund. In order to pay for the 9-1-1 services, the City Council passed an ordinance in 1988 authorizing a 9-1-1 emergency service fee on wireline (landline) access. These 9-1-1 fees are remitted directly to the City by the service providers.

The Telecommunications Act of 1996 required the implementation of enhanced 9-1-1 services in two phases. These two phases are specified in the Code of Federal Regulations, Title 47, Chapter I, Part 20, Sec. 20.18 9-1-1 Service.

- Phase I - Wireless service providers must provide the PSAP with the telephone number of the caller and the cell site sector that received the call.
- Phase II - Wireless service providers must also provide Automatic Location Identification (latitude and longitude of the location of the caller) to the PSAP.

In September 1996, City Ordinance 22906 established a 9-1-1 emergency service fee for cellular and wireless telephone users. The State legislature, in 1997, directed the service providers to collect the fee and remit it to the State, which is also responsible for distributing the funds to each 9-1-1 region. Each region is then to reimburse the service providers for their capital outlays for establishing and implementing 9-1-1 capabilities. Capital outlays, incurred by a service provider, are to be paid by the City out of the 9-1-1 fees received.

The City is authorized by the State of Texas in Section 771, Subtitle B, of the Health and Safety Code to receive and collect 9-1-1 fees and to use those fees in the administration of 9-1-1 services. The 9-1-1 Fees are divided into two categories:

1) Emergency Service Fee and 2) Emergency Service Fee for Wireless Telecommunications Connections. The Emergency Service Fee is remitted directly to

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## INTRODUCTION

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the City by the service providers. The Emergency Service Fee for Wireless Telecommunications Connections is collected by the State and distributed to the City on a monthly basis.

Exhibit 1, Authorized Uses of Fees Collected under Chapter 771, page 5, delineates the sections of the State statutes that specify how 9-1-1 Emergency Service fees may be used. The fees may be utilized for the following 9-1-1 activities:

- Planning
- Development
- Provision
- Enhancement of the effectiveness of 9-1-1 services
- Designing a 9-1-1 system
- Obtaining and maintaining equipment and personnel necessary to establish and operate:
  - Public safety answering point (PSAP) and related operations
  - Other related answering points and operations

State statutes use the following definitions to help establish the scope of the use of the service fee:

- “9-1-1 service” means a telecommunications service that provides the user of the public telephone system the ability to reach a public safety answering point (PSAP) by dialing the digits 9-1-1.
- “Public safety answering point” means a continuously operated communications facility that is assigned the responsibility to receive 9-1-1 calls and, as appropriate, to dispatch public safety service or to extend, transfer, or relay 9-1-1 calls to appropriate public safety agencies.

# INTRODUCTION

**Exhibit 1**  
**Authorized Uses of Fees Collected under Chapter 771**  
**of the Texas Health and Safety Code**  
**State Administration of Emergency Communications**  
**Subchapter D**

Section	Description	Purpose	Comment
771.063(e)	A service provider shall collect and remit the emergency service fees to the advisory commission or the appropriate emergency communication district, as applicable.	Establishes who can collect and where the payments are to be sent.	
771.071(a)	Emergency Service Fees may be collected on local exchange access lines.	Establishes the basis of fee collection.	Typically referred to as "wireline". This fee is <b>not</b> for "wireless" service.
771.0711(b)	A wireless service provider shall collect the fee in an amount equal to 50 cents a month for each wireless telecommunications connection from its subscribers and shall pay the money collected to the comptroller.	Establishes the basis of fee collection and where the payments are to be sent.	This fee is for "wireless" service.
771.0711(c)	Money collected under subsection (b) may be used only for services related to 9-1-1 services, including automatic number identification and automatic location information services.	Specifies how the collected fees are to be used.	
771.0711(g)	On receipt of an invoice from a wireless service provider for reasonable expenses for network facilities, including equipment, installation, maintenance, and associated implementation costs, a home-rule municipality shall reimburse the wireless service provider in accordance with state law for all expenses related to 9-1-1 service.	Specifies when reimbursement payments are to be made to wireless service providers	
771.075	Except as provided by Section 771.0751, 771.072(e), 771.072(f), or 771.073(e), fees and surcharges collected under Subchapter 771 may be used only for, <ul style="list-style-type: none"> <li>• Planning</li> <li>• Development</li> <li>• Provision</li> </ul> Enhancement of the effectiveness of 9-1-1 services as approved by the commission.	Specifies how the collected fees are to be used.	



# INTRODUCTION

Section	Description	Purpose	Comment
771.0751	<p>Fees and surcharges collected under this subchapter in the county that has the highest population within a region subject to this subchapter may use collected fees and surcharges for:</p> <ul style="list-style-type: none"> <li>• Designing a 9-1-1 system; or</li> <li>• Obtaining and maintaining equipment and personnel necessary to establish and operate:               <ul style="list-style-type: none"> <li>○ Public safety answering point and related operations; or</li> <li>○ Other related answering points and operations.</li> </ul> </li> </ul>	Specifies how the collected fees are to be used in a county with the highest population within a region.	<ul style="list-style-type: none"> <li>• Supports 771.075.</li> <li>• States that the 9-1-1 fee may be used for system design, equipment, technical support, PSAP operations (all expenses including personnel, energy, training, etc.), and all other related operations.</li> </ul>
771.072(e)	From the revenue received from the surcharge imposed by this section, the amount derived from the application of the surcharge at a rate of not more than .8 percent shall be periodically allocated to the TDH to fund grants awarded under Section 777.009.	To provide grants to fund the regional poison control centers.	Supports 771.075.
771.072(f)	The amount necessary for the commission to fund approved plans of regional planning commissions and regional poison control centers and to carry out its duties under this chapter shall be appropriated to the commission.	Refers to the Equalization Surcharge.	Supports 771.075.
771.073(e)	A service provider collecting fees or surcharges under this subchapter may retain as an administrative fee an amount equal to one percent of the total amount collected.	Allows service providers to recover the costs incurred to collect and forward the fee to the state or local entity.	Supports 771.075.

## OPPORTUNITIES FOR IMPROVEMENT

We identified certain policies, practices, and procedures that should be improved. Our review was not designed or intended to be a detailed study of every relevant system, procedure, or transaction. Accordingly, the opportunities for improvement presented in this report may not be inclusive of where improvement may be needed.

### 1. The City has not paid vendors in a timely manner for reimbursable costs and administrative directives were not followed.

#### A. Adequate funds need to be reserved to pay vendor invoices for 9-1-1 expenses.

Our review found that one service provider was not paid in full after presenting invoices to the City for reimbursement of 9-1-1 costs as specified in Section 771.0711 of the Texas Health and Safety Code. Additionally, reimbursable expenses have been incurred by another vendor that has yet to bill the City for those costs.

- AT&T - They have not been paid in full for reimbursable non-recurring costs totaling \$2,182,156. These costs cover the construction of cell towers.
- Cingular (Phase I) - An estimated \$396,598 for Phase I reimbursable cell tower expenses is due to Cingular. Some Phase II costs have also been incurred, but Cingular has not billed the City for those costs.

According to CIS, Cingular has proposed two options for payment of Phase I and Phase II costs. The first option is a five-year contract covering Phase I and Phase II costs plus four one-year renewal options. The second option is a one-time payoff by December 31, 2004, of all amounts owed for Phase I, Phase II, and anticipated future costs (through calendar year 2005).

A summary of the payment options and the cost savings, or difference, between the two options are shown below. The benefit to the City of making a one-time payment is a cost savings of approximately \$2,537,120.

Option 1	Proposed 5-year contract (Phase I/II services)	\$2,206,462
	<u>4 one-year renewal options</u>	<u>1,765,169</u>
	Total	\$3,971,631
Option 2	One-time payment	<u>\$1,434,511</u>
	<i>Savings Achieved by Option 2</i>	\$2,537,120

## OPPORTUNITIES FOR IMPROVEMENT

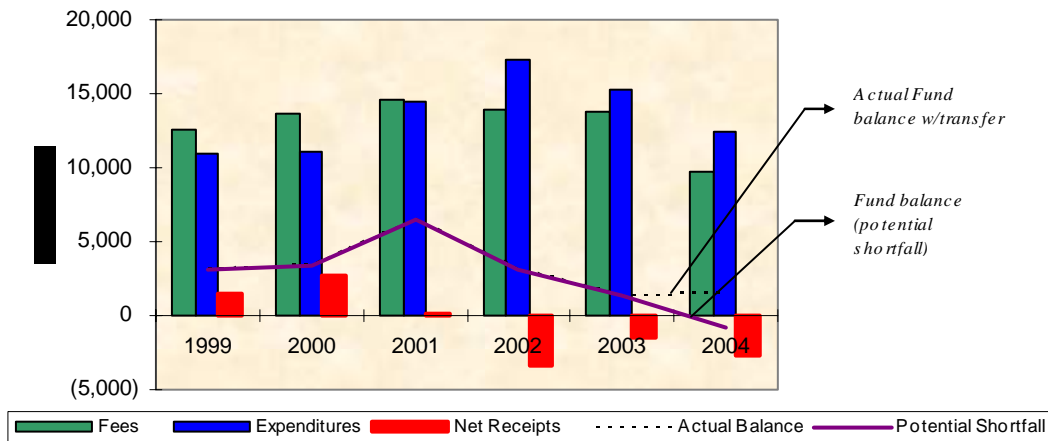
### B. Proper procedures were not followed in obtaining a “loan” from the Aviation Construction fund.

Our research found that a “loan” was made from the Aviation Construction fund to the 9-1-1 Fund in April 2004. This loan was used to pay certain reimbursable Phase II 9-1-1 costs owed to Cingular. Facts regarding this transaction are listed below:

- The payment covered monthly recurring costs, non-recurring costs, and other expenses.
- The City paid Cingular \$3,542,176, from the 9-1-1 Fund, on 04/28/2004. Three business days earlier (04/23/2004), \$2,323,920 was transferred from the Aviation Construction fund to the 9-1-1 fund.
- We were unable to find, nor were we supplied with, a City Council resolution authorizing a loan from the Aviation Construction Fund. (At the time, Administrative Directive 4-5 required City Council approval on expenditures exceeding \$15,000).
- We were unable to find, nor were we supplied with, documentation that states the terms and conditions of the “loan” to the 9-1-1 Fund.
- The funds for the “loan” came out of the Aviation construction fund 0131.
- The amount shown on the journal voucher does not match supporting documentation.
- The preliminary FY 2004-2005 budget for 9-1-1 System Operations includes a loan repayment to Aviation for \$784,192.

A review of revenue and expenditures for the past five years shows revenue, expenses, and fund balances for the years 1999 – July 2004.

**9-1-1 Fees, Expenditures, and Fund Balances  
1999 - July 2004**



## **OPPORTUNITIES FOR IMPROVEMENT**

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As the chart indicates, 9-1-1 fee revenue exceeded or equaled expenditures from 1999 through 2001. Beginning in 2002, the trend reversed and expenditures exceeded fee revenue each year through July 2004. In April 2004, sufficient funds were not available in the 9-1-1 fund to pay Cingular thereby creating a potential shortfall. To cover this shortfall, funds were transferred from the Aviation Construction fund to the 9-1-1 fund. The potential shortfall is represented on the chart by the purple line designated "Fund Balance (potential shortfall). The actual fund balance (after the transfer actually occurred) is represented by the dotted line and is named "Actual Fund Balance w/transfer."

Additional financial information supplementing the chart can be found in Exhibit 2, Summary of 9-1-1 Fund Activity, page 10. We have also included additional expenditure detail in Exhibit 3, Use of 9-1-1 Service Fees, on page 11. Due to the limited time allocated for the audit, we did not verify that the funding used to procure the expenditures in Exhibit 3 was spent in accordance with state laws and regulations governing the use of wireless fees. This subject needs to be reviewed in a future audit.

## OPPORTUNITIES FOR IMPROVEMENT

### Exhibit 2 Summary of 9-1-1 Fund Activity 1999 – July 2004

	1999	2000	2001	2002	2003	2004 <sup>1</sup>	Total
9-1-1 Service Fees	\$12,509,651	\$13,668,811	\$14,560,897	\$13,975,452	\$13,788,603	\$9,676,344	\$78,179,758
Expenditures							
Vendor Payments	1,410,982	1,568,861	3,781,205	1,923,866	2,902,856	5,042,110	16,629,880
Debt Service <sup>2</sup>	867,412	831,800					1,699,212
Fund Transfers	7,901,859	7,901,859	8,916,430	17,291,357	11,388,327	6,002,875	59,402,707
Other Expenditures	798,091	719,771	1,748,353	(1,891,492)	981,849	1,383,980	3,740,552
Total Expenditures	10,978,345	11,022,291	14,445,988	17,323,731	15,273,032	12,428,965	81,472,351
<b>Net Receipts</b>	<b>\$1,531,306</b>	<b>\$2,646,520</b>	<b>\$114,909</b>	<b>(\$3,348,279)</b>	<b>(\$1,484,429)</b>	<b>(\$2,752,621)</b>	<b>(\$3,292,593)</b>
Fund Balance w/Transfer	\$3,085,424	\$3,392,324	\$6,497,869	\$3,096,904	\$1,324,580	\$1,513,580	N/A
Fund Balance w/o Transfer	\$3,085,424	\$3,392,324	\$6,497,869	\$3,096,904	\$1,324,580	(\$810,340)	N/A

#### Other Significant Events

FY 2003	AT&T agreement <sup>3</sup>	\$2,182,156
FY 2004	Loan from Aviation	\$2,323,920
FY 2004	Cingular One-time Payoff Proposal <sup>4</sup>	\$1,434,511

<sup>1</sup> Fees collected are through July 2004

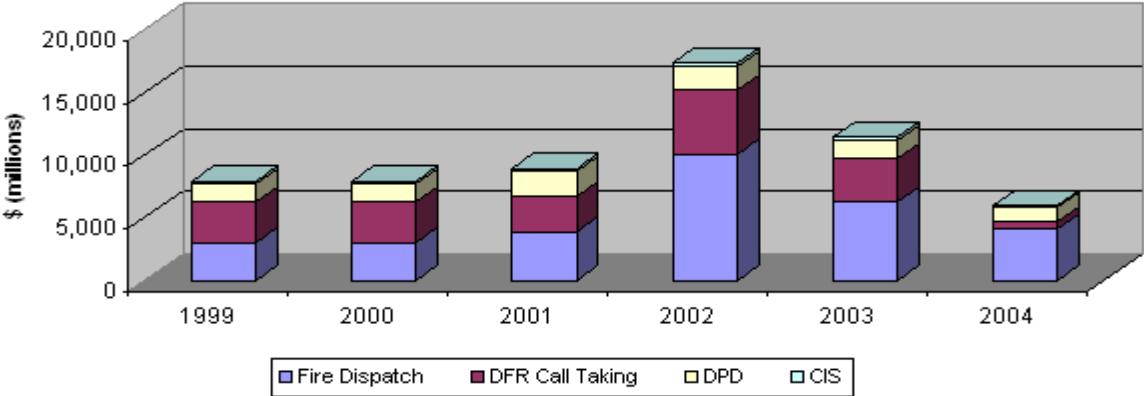
<sup>2</sup> Repayment of 1986 loan from Aviation Capital Construction Fund 131 in the amount of \$2,886,430 for the enhanced 9-1-1 system installed in 1988. Repayments prior to FY 1999 are not shown. Total cost of the system upgrade was \$3,786,430. \$900,000 from the Data Services Operating Fund 198 completed project-funding requirements.

<sup>3</sup> Total estimated payout including interest is \$2.846 million.

<sup>4</sup> If City accepts payoff proposal, projected savings would be approximately \$2.537 million.

**OPPORTUNITIES FOR IMPROVEMENT**

**Exhibit 3**  
**Use of 9-1-1 Fees by Organization**  
**Fire Dispatch, DFR Call Taking, DPD, CIS**  
**1999 - July 2004**



Department (Org)	1999	2000	2001	2002	2003	2004	Total
Fire Dispatch (2072)	\$3,045,708	\$3,045,708	\$3,895,708	\$10,065,940	\$6,245,708	\$4,084,281	\$30,383,053
DFR Call Taking (2073)	3,171,078	3,171,078	2,835,649	5,063,848	3,421,078	615,809	18,278,539
DPD (2147)	1,500,219	1,500,219	2,000,219	1,875,274	1,500,219	1,125,164	9,501,314
Admin/Programming (1610)	22,367	22,367	22,367	16,847	16,847	12,635	113,430
Help Desk (1621)	0	0	0	78,307	0	0	78,307
Desktop Support (1622)	0	0	0	0	35,562	26,672	62,234
Ops/Data Control (1630)	44,504	44,504	44,504	33,520	33,520	25,140	225,693
Network Svcs (1640)	29,512	29,512	29,512	22,228	0	0	110,764
Operations/Plans (1650)	41,952	0	41,952	0	0	0	83,904
Special Projects (1660)	0	41,952	0	88,874	88,874	66,655	286,355
Comm Services (1810)	46,519	46,519	46,519	46,519	46,519	46,519	279,114
<b>Total</b>	<b>\$7,901,859</b>	<b>\$7,901,859</b>	<b>\$8,916,430</b>	<b>\$17,291,357</b>	<b>\$11,388,327</b>	<b>\$6,002,875</b>	<b>\$59,402,707</b>

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## OPPORTUNITIES FOR IMPROVEMENT

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It should be noted that the original enhanced 9-1-1 system was financed by a City Council approved loan from Aviation to the General Fund in 1986. The loan was repaid by the year 2000.

Additionally, we did not investigate possible issues related to involvement of the Federal Aviation Administration (FAA) in the use of the Aviation Construction Fund due to the limited amount of time devoted to the audit.

### **We recommend that the City Manager:**

- A. Ensure funds are adequately reserved for timely payment of vendor reimbursement requests.
- B. Ensure that loans from Enterprise funds adhere to AD 4-5 approval procedures and that they contain terms and conditions for repayment.

### **We recommend that the City Attorney provide guidance to the City Manager as to:**

- The requirements that must be met in order that an enterprise fund may loan money to the General Fund.
- What authorizations/approvals and signatories are required to legally execute loan transactions.
- What role, if any, the FAA may have in approving the use of airport construction funds.

### **Management's Response:**

#1A. Management partially concurs. The Auditor correctly points out that the 9-1-1 Fund balance grew prior to 2002. However, completion of E9-1-1 locator services and related service provider billings had been delayed annually since the 1990s. Each year, the City was faced with two choices: 1) Continue to reserve the funds. This would have necessitated increasing revenue (presumably by a higher property tax rate) or 2) Use the 9-1-1 funds for appropriate 9-1-1 expenses and maintain a lower property tax rate.

#1B. Management disagrees. The Aviation loan does not violate Administrative Directive 4-5. A loan is not an expenditure of funds. The loan from Aviation was fully documented by Financial Services and Aviation and included acknowledgement by executives in each department. The loan was recommended to the City Council in a Finance and Audit Committee briefing prior to execution of the loan. A loan payment was identified as a Major Budget Item on page E-1 of the FY 2004-05 Budget Document. As is the case with any loan between funds, this loan will be repaid with interest at the City's Pool Interest Rate.

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## OPPORTUNITIES FOR IMPROVEMENT

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### Auditor's Comment:

Funds were transferred from the Aviation Construction fund to the 9-1-1 fund. Funds were then "expended" from the 9-1-1 fund to pay for work previously performed by Cingular. We consider the transfer of funds (loan) from Aviation to the 9-1-1 fund as a transaction requiring adherence to Administrative Directive 4-5. Although the loan was recommended to the Finance and Audit Committee on April 9, 2004, it was not recommended to the full City Council. The City Council has not approved the loan as of the date of this report.

### City Attorney's Response:

On Page 12 of the Audit Report, the City Auditor has recommended that the City Attorney provided guidance to the City Manager in several areas:

- *The requirements that must be met in order that an enterprise fund may loan money to the General Fund.*
- *What authorization/approval and signatories are required to legally execute loan transactions.*
- *What role, if any, the FAA may have in approving the use of airport construction funds.*

Generally, with respect to funds generated by airport revenues, the Federal Aviation Administration prohibits the use of those funds for purposes that are not airport-related. However, as an exception to the prohibition of use of airport funds, the FAA does not object to the loan of airport funds to the general fund of the airport operator as long as the following guidelines are adhered to:

- a. there are sufficient reserves in the aviation fund that will not be used for airport-related purposes in the foreseeable future;
- b. the funds must be immediately recoverable, if needed, for airport purposes;
- c. there must be a "business-like" approach to the use of the airport funds, including:
  - i. a formal agreement documented by some writing (written agreement or council resolution); and
  - ii. the loan must collect interest at the going commercial rate that the aviation account would otherwise receive if those funds were, in fact, still in the aviation fund account; and
  - iii. the source of the revenues to repay the loan must be identified and a repayment schedule agreed to;

Additionally, in the event that there is to be a regular practice of the airport operator taking short-term loans from the airport account, the FAA needs to review and to



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## OPPORTUNITIES FOR IMPROVEMENT

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approve of the airport operator's loan policies and procedures for such transactions in advance.

City Council approval by resolution is the appropriate authorization necessary for a loan from airport funds to the City's general fund. The terms of the loan then should be documented by formal memorandum signed by the directors of the affected departments and the City Manager.

Since no other enterprise fund other than the aviation fund was identified in the Audit Report as being the source of an interfund loan, the City Attorney's Office declines at this time to prescribe guidelines as to the requirements that must be met in order for the loan or use of enterprise fund monies for any purpose other than for what the funds were intended. The Auditor's Office would need to provide the specific facts of the proposed loan transaction and identify the particular enterprise funding source before the City Attorney's Office can render a legal opinion regarding the transaction.

### **2. A financial agreement was executed with a high rate of interest, approximately 11%.**

To enable the City to pay for AT&T's accumulated and unpaid reimbursable costs of \$2.182 million, a financial agreement for approximately \$2.846 million was executed in August 2003. This was actually an installment repayment agreement that would require the City to pay \$664,565 in interest. Pertinent facts regarding the agreement are listed below:

- The total payout under the agreement is estimated to be \$2.846 million.
- Although the interest rate is not specified in the agreement, it is calculated at approximately 11%. If the City had negotiated the same interest rate (5%), as used in the recent eighty-four-month agreement with SBC DataComm, the City would have paid \$288,642 in interest charges instead of \$664,565. This represents a 130% increase in interest costs, or approximately \$376,000.
- \$2,182,156 for Phase II incurred costs was submitted to the City for reimbursement.
- Resolution 012043 authorizes up to \$2,000,000 to enter into service agreements with wireless service providers for Phase I and Phase II E9-1-1 service. The authorization was less than the contracted amount of \$2,182,156.
- We could not find, nor were we supplied with, a City Council resolution authorizing the agreement and expenditure of \$2.846 million or a resolution that authorizes the City Manager to execute an agreement with AT&T on the City's behalf.

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## OPPORTUNITIES FOR IMPROVEMENT

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### We recommend that the City Manager:

- Follow the current administrative directive (AD 4-5) requiring City Council approval of financial transactions in excess of \$25,000.
- Involve the City Attorney's Office when financial agreements are being negotiated with vendors and ensure that the documentation is approved "as to form" prior to submission for City Council approval.

### Management's Response:

#2A. Management disagrees. The Aviation loan does not violate Administrative Directive 4-5. A loan is not an expenditure of funds.

#2B. A financial agreement was executed (effective October 2003) at an interest rate of 11%. The City Attorney's Office was involved in the execution of the financial agreement.

Currently the City is in negotiation with the vendor to enter into a settlement and release agreement for Phase I and II E9-1-1 monthly recurring service cost. This agreement would enable the city to receive Phase I and II E9-1-1 services at no cost to the city after the outstanding principal balance less interest paid for AT & T Phase II and expenses that would be incurred through December 2005 for Cingular Phases I and II are paid in full as requested in the agreement.

In addition, under current negotiations, as a result of the city entering into the loan agreement rather than paying the principal of \$2,182,156 in full, the city will realize a reduction in the principal amount owed to AT&T of (\$782,183). The negotiations will result in the city paying in full, \$1,399,973 to AT&T for Phase II cost. Current discussions could end payments by December 2006 and result in a significant savings (on both cash and net present value bases).

### Auditor's Comment:

#2A. This finding does not address the Aviation loan. It is discussing the execution of an 11% interest rate financial agreement (with AT&T) that did not receive City Council approval.

### City Attorney's Response:

#2B. Some clarification as to the facts described in the Audit Report regarding the AT&T contract is necessary. While CIS did send the AT&T agreement to the City Attorney's Office for review "as to form", the City Attorney's Office was not involved in

## **OPPORTUNITIES FOR IMPROVEMENT**

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the original negotiations with AT&T, nor was it fully apprised of the terms of the agreement.

## OPPORTUNITIES FOR IMPROVEMENT

### Issues Warranting Further Review

#### 1. Assessing the operational requirements for technology upgrades and staffing needs to be performed.

The history of 9-1-1 system purchases/upgrades is shown below:

1986	Original system purchase (\$3,786,430)
1995	Extensive equipment upgrades (\$4,452,806)
2000	Extensive equipment upgrades (\$3,766,703)
2004	Planned upgrade for the telephone switch operating system (\$350,000)
2005	No upgrades planned

- Technology
  - Lack of equipment upgrades poses a risk to the City in two areas: equipment failure (due to age) and replacement parts obsolescence.
  - Current PC technology is over four years old.
  - Workstations run Microsoft NT 4.0. Microsoft is discontinuing support of NT 4.0 in December 2004.
  - According to the Microsoft TechNet article entitled, "What's New in Security for Windows XP Professional and Windows XP Home Edition, published on February 17, 2003, XP provides a significantly higher level of security protection than does Windows NT.
  - Beginning January 1, 2005, Microsoft will no longer provide security patches for Windows NT 4.0.
  - Future releases of software running on the VESTA workstations will not support Windows NT 4.0.
  - Current server technology is eight years old.
  
- Staffing
  - Current staffing consists of three team members: one manager, one IT analyst, and one contract administrator. They support 87 workstations, four servers, system administration, reporting, service provider agreements, telecommunication lines, and many other technical support tasks.
  - In 1996, 9-1-1 System Operations staffing consisted of three FTEs supporting a call volume of 1.6 million calls.
  - In 2003, FTEs remained level at 3.0 FTEs, but the call volume increased 58% to 2.6 million.
  - Additional responsibilities assigned to the support staff since 1996 include:
    - 20 additional workstations to support DWU Customer Service

## OPPORTUNITIES FOR IMPROVEMENT

- 150 VESTA user profiles
- 38 detailed call reports
- Four additional telephone queues
- 45-311 trunks
- Two emergency back-up sites
- Approximately 150,000 database updates
- 20 Private switch agreements
- 15 Service Provider agreements
- Staff also provides support services for the 9-1-1 call routing software (Plant Equipment, Inc.).

### Management's Response:

CIS partially agrees. CIS does not agree to the severity of the risks as stated by the auditor. As for the technology, there has not been a significant failure with the current technology configuration. Also note that changing technology configurations often present a greater risk than maintaining a reliable technology environment. As for staffing, service levels have been consistently on target without disruption. CIS works with SBC to respond to all issues within 2-hours and restore all problems within 24-hours.

In general, CIS is reassessing the entire organizational structure including target services, staff roles, and technology infrastructure. As part of this process, 9-1-1 support staffing and technology will be appropriately planned and funded.

2. **Assessing the impact of loss of revenue from land-based telephone fees.** As more telephone users switch from land-based telephone service (with higher 9-1-1 fees) to wireless service (with lower 9-1-1 fees), the monthly fees collected by the City may trend downward, thereby reducing the amount of funding available to support 9-1-1 operations.
3. **Performing a detailed expenditure analysis.** Since we did not review the expenditures within 9-1-1 operations, we cannot report whether the funds were actually expended for their intended purpose.
4. **Location of 9-1-1 operations center.** The location of the operations center may pose a risk to the City for the following reasons:
  - Vulnerability to flooding.
  - Vulnerability to attack since the City Hall building is a well-known and identifiable structure.

Note: A presentation to the Public Safety Committee in October 2004 discussed the location of the 9-1-1 operations center and presented contingency

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## OPPORTUNITIES FOR IMPROVEMENT

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facilities in the event the Communication Center at City Hall must be abandoned.

**Management's Response:**

CIS agrees. The development and deployment of an alternate facility must be coordinated with other departments including Dallas Fire Rescue, Dallas Police Department and the Office of Emergency Preparedness. CIS will continue to facilitate this activity.