

# Memorandum



CITY OF DALLAS

Date: August 25, 2006

To: Honorable Mayor and Members of the City Council

Subject: Follow-Up Report of the May 13, 2005, 9-1-1 Emergency Service Fees

We conducted this audit under the authority of Chapter IX of the City Charter and according to applicable government auditing standards. We conducted tests of records and reviews of program guidelines and procedures that we considered necessary in the circumstances. Our objective was to determine whether management had implemented the audit's recommendations or taken other acceptable actions to remedy the control weaknesses identified in the original report.

The original audit contained two findings with seven recommendations. Management has implemented five recommendations, partly implemented one recommendation, and has not implemented one recommendation.

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

**We recommended** that the City Manager:

A. Ensure funds are adequately reserved for timely payment of vendor reimbursement requests. **(Implemented)**

*We found that the City's agreement with Cingular specifies three payments totaling \$2,999,877.70. Two \$1 million dollar payments each were made in September and December 2005 per the terms of the agreement. The third and final payment of \$999,877.70 is due December 15, 2006 and is included in the FY 2007 Budget. When Cingular acquired the wireless services business of AT&T, monies owed to AT&T under the original agreement were incorporated into the new contract with Cingular.*

B. Ensure that loans from Enterprise Funds adhere to Administrative Directive (AD) 4-5: Contracting Policy, approval procedures and that they contain terms and conditions for repayment. **(Not implemented)**

*As previously reported in the Follow-Up Audit of the Aviation Lease and Rental Agreements, dated June 30, 2006, the City Auditor reported that the \$2.3 million*

*“loan” from the Aviation Construction Fund had not been approved by the City Council and the terms and conditions of the loan had not been communicated to the City Council.*

**We recommended** 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. **(Partially implemented)**
- What authorization/approval and signatories are required to legally execute loan transactions. **(Implemented)**
- What role, if any the FAA may have in approving the use of airport construction funds. **(Implemented)**

*We found that the City Attorney’s Office (CAO) has provided guidance to the City Manager regarding the loan from the Aviation Construction Fund to the General Fund. However, due to the unique nature of an interfund loan, the CAO stated they would need specific facts about a loan before they would render a legal opinion on future loans.*

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

**We recommended** that the City Manager:

- A. Follow the current Administrative Directive (AD 4-5) requiring City Council approval of financial transactions in excess of \$25,000. **(Implemented)**

*We found that the original financial agreement with AT&T (11% interest rate) was replaced by the current agreement with Cingular (approved by the City Council in 2005). For the purposes of the Cingular contract, Administrative Directive 4-5 was properly adhered to regarding spending limit approval authority.*

*Although AD 4-5 details the procedures used when purchasing goods and services, it does not address the process of how a loan or financial agreement should be executed. According to the Director of the Office of Financial Services (OFS), an Administrative Directive will be developed to address the processing of loans and financial agreements. OFS will develop and distribute guidelines to departments concerning the handling of Enterprise Fund loans or other types of financial agreements after completion of the 2007 budget cycle.*

- B. 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. **(Implemented)**

*According to the Assistant City Attorney, the City Attorney's Office (CAO) participates in financial agreement negotiations with vendors when the sponsoring departments request the CAO's participation. As part of their review process, the CAO ensures that the legal documentation is approved "as to form."*

**We also identified the following four prior issues warranting further review:**

1. Assess operational requirements for technology upgrades and staffing.

*We found that City Council Resolution 061808, dated June 28, 2006, authorized the purchase of new and replacement equipment for the 9-1-1 Communications Center. Hardware and software maintenance services were also approved for a five year period. Computer technical support staffing issues have been addressed through outsourcing support services to CompuCom. Section 8.8.2 of the CompuCom contract provides support for Public Safety workstations.*

2. Evaluate the impact of revenue loss from land-based telephone fees.

*We found that CIS considers the loss of land-based telephone fee revenue when projecting future revenues since telephone users have been switching from land-based telephone service (with higher 9-1-1 fees) to wireless service (with lower 9-1-1 fees).*

3. Perform a detailed analysis of expenditures for 9-1-1 Operations to determine whether the funds were spent according to State guidelines.

*We found that between 1999 and 2005, 9-1-1 expenses exceeded wireless emergency service fees in each year. Total expenses include 9-1-1 related expenditures by Dallas Fire and Rescue (DFR), Dallas Police Department (DPD), and Communication and Information Services (CIS). Since expenses from these departments exceeded wireless fees received during the same time period, 100% of the wireless fees are being used to offset 9-1-1 expenses. As long as expenses exceed the fees received, the City will be in compliance with the State Health and Safety Code statutes regarding use of wireless emergency service fees. If, in the future, wireless revenue were to exceed 9-1-1 expenses, then the City would need to implement procedures to track the usage of wireless fees to ensure compliance with State statutes.*

4. Location of 9-1-1 Operations Center.

*We found that the 911/311 working group established by the City Manager has*

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*recognized the need to consider relocation of the 9-1-1 Communications Center. The group has not reached any decisions yet, but they consider the location of the Communications Center to be a quality of service issue as well as a safety issue.*

We appreciate management's cooperation in this follow-up. If you have any questions, please contact me at 214-670-3223.

*Paul T. Garner*  
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Assistant City Auditor

c: Mary K. Suhm, City Manager