

MINUTES OF THE HOUSE ENERGY AND UTILITIES COMMITTEE

The meeting was called to order by Chairman Carl Holmes at 9:00 A.M. on March 16, 2007 in Room 241-N of the Capitol.

All members were present except:

Vaughn Flora-excused
Peggy Mast- excused
Judy Morrison-excused
Don Myers-excused
Vern Swanson-excused

Committee staff present:

Dennis Hodgins, Kansas Legislative Research
Renaë Hansen, Committee Assistant

Conferees appearing before the committee:

Lisa Hoopes, Legislative Post Audit
Kimberly Winn, League of Kansas Municipalities
Dennis Kriesel, Public Health Policy Fellow, Kansas Association of Counties

Others attending:

Sixteen including the attached list.

Briefing on:

E-911 Update- Legislative Post Audit

Lisa Hoopes, Legislative Post Audit, gave the committee a legislative report on E-911. Interested parties can contact the Legislative Post Audit office for a copy of the report.

Kimberly Winn, League of Kansas Municipalities (Attachment 1), gave an update on E-911 noting the number of counties that have added E-911 services were up to 61 counties from just 5 counties 2.5 years ago. She commented that the legislature set up the legislation very appropriately and Kansans are benefitting from this program. She noted that most of the excess of funds in county E-911 accounts are for equipment reserves as the system equipment needs replaced every 5-6 years.

Dennis Kriesel, Kansas Association of Counties, (Attachment 2), offered a status update on the local collection side of the E-911 system.

Questions were asked and comments made by Representatives: Cindy Neighbor, Terry McLachlan, Carl Holmes, Tom Hawk, and Tom Sloan.

Cindy Lash, Post Audit, also gave comments.

The Chairman also noted that if legislation was needed to further move E-911 into previous determined legislative compliance, that the interested parties get together early and have that mediated legislation ready at the beginning of session 2008.

The next meeting is scheduled for March 19, 2007.

Meeting adjourned.

HOUSE ENERGY AND UTILITIES COMMITTEE GUEST LIST

DATE: March 16, 2007

NAME	REPRESENTING
Jim Gorkner	DTA
Tom Day	KEC
Lisa Hoopes	Legis Post Audit
Cindy Lash	" "
Ivan Williams	" "



League of Kansas Municipalities

To: House Energy and Utilities Committee
From: Kimberly Winn, League of Kansas Municipalities
Date: March 15, 2007
Re: E-911 Update

Thank you for the opportunity to provide an update on enhanced wireless 911 in Kansas. The League of Kansas Municipalities (LKM), along with the Kansas Association of Counties (KAC), serves as the Local Collection Point Administrator (LCPA) for the local portion of the enhanced wireless 911 fees. In this capacity, we have distributed funds to PSAPs and provided technical assistance to the cities and counties charged with establishing enhanced wireless 911 across the state.

LKM & KAC Audit Report. Attached to my testimony is a copy of the latest LCPA audit report. The audit indicates that funds are being handled appropriately and makes only two suggestions for process changes. In addition, the audit notes that all suggestions from previous audits have been implemented.

Deployment Progress. In less than three years, tremendous progress has been made toward statewide deployment of enhanced wireless 911. Before the legislation that was passed in 2004, only 5 counties had implemented this life saving service. Now, only two and a half years later, 61 counties are completely Phase II operational, while another 26 counties have at least begun Phase II. An additional 11 counties are working on Phase I and only 17 counties remain with basic wireless services.

Training Services. LKM and KAC have been working to educate the PSAPs that need technical assistance in order to move toward deployment. We have answered hundreds of questions regarding the use of monies and deployment generally. Recently, we retained the services of a well-respected retired APCO professional to provide technical assistance to PSAPs at no charge. Bill Cade works out of his home office in Carthage, MO, and has established a help-line to answer questions and will even go out to individual PSAPs in need. In addition, we are setting up additional trainings focused on those PSAPs that are having the most difficulty with deployment.

Legislative Post Audit. We are very pleased with the results of the Legislative Post Audit that was recently issued with regard to this issue. In this audit, they identified only one item that was not allowable under the law and that was an internal billing error, not an intentional misappropriation. In addition, there were only two items that were not accompanied by appropriate documentation. This positive audit shows a determination on the part of the PSAPs in this state to implement this service with great respect shown to the legislative intent established in the law.

There is one statement from the Post Audit report which we believes needs to be clarified. On Pg. 17 of the report, it is stated that on a statewide basis, estimated

wireless E-911 revenues will far exceed PSAPs estimated costs in the future. However, this statement makes the erroneous assumption that all PSAPs will levy the maximum amount allowed by law. In fact, when the bill was established in 2004, it was anticipated that the larger counties would actually be able to reduce the fees paid by their citizens to a figure well below the maximum. That is why the bill was written as a "cap" to be established by each PSAP separately. Secondly, this statement only takes into account the recurring costs of running the system. It fails to take into account what it will cost to upgrade equipment and software over time. It is estimated that the lifespan of much of the necessary equipment is 5-6 years. This means that any so-called "excess" in funds will need to be preserved in a capital improvement type fund so that equipment and software can be updated as needed. We believe that when these two issues are taken into account, it is clear that the revenues received will not exceed the PSAPs estimated costs.

In conclusion, it has been a privilege to work with the PSAPs over the past several years and we are thrilled with the progress that has been made so far. There is a lot of work to be done, but we believe that the PSAPs of this state are up to the task. We are cautiously optimistic that we will see statewide deployment by 2010.

I would be happy to answer any questions you might have.

**SS Summers, Spencer &
& C Callison, CPAs, Chartered**

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To the Local Collection Point Administrator
of the Wireless Enhanced 911 Local Fee Fund

In planning and performing our audits of the statements of cash receipts and disbursements of the Wireless Enhanced 911 Local Fee Fund (the Fund) for the years ended June 30, 2006 and 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the statements of cash receipts and disbursements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the Fund's ability to initiate, record, process, and report financial data consistent with the assertions of management in the statement of cash receipts and disbursements.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily disclose all matters in the internal control that might be reportable conditions. In addition, because of inherent limitations in internal control, misstatements due to error or fraud may occur and not be detected by such controls.

This report is intended solely for the information and use of the boards of directors of the Local Collection Point Administrator, management and the Governor's Grant Program and is not intended to be and should not be used by anyone other than these specified parties.

Summers, Spencer & Callison, CPAs, Chartered
Summers, Spencer & Callison, CPAs, Chartered
October 17, 2006

Reportable Conditions

Improve Cash Receipts Controls

We noted instances where incoming mail is being opened by Dennis, who is the person responsible for recording income. We recommend someone other than Dennis open the incoming mail and document the receipts obtained. A comparison should then be made between the documented receipts from incoming mail to the spreadsheet prepared by Dennis and the amount actually deposited.

Accounting for Statewide Fund

The current procedure to record allocations to the statewide fund is to debit an income account named "Statewide Receipts" with a corresponding credit to a liability account named "Statewide Training Fund." This process results in a negative income account balance and, therefore, income reported on financial statements produced by the accounting system does not reflect total cash received during the period. In addition, the liability balance does not reflect the balance of the Statewide Training Fund because 1) the procedures have not been consistently followed and 2) no corresponding procedures exist for statewide training expenses.

In order to preserve the cash receipts and disbursements basis of the income statement, we suggest using two sub-accounts for cash in the accounting system – one for general and one for statewide training. The cash itself would physically remain in the same bank account but, by selecting the appropriate sub-account when posting cash transactions, the balance of the statewide training cash sub-account would reflect the balance of funds available for statewide training. (Note: The main (header) cash account should be selected when reconciling to the bank statement in order to view both sub-accounts in an integrated fashion.)

Other Matters

Payment of Administrative Fees

We noted administrative fees were not paid in May and June. The oversight was detected and corrected by management prior to our audit. We recommend administrative fees be paid at the same time payment is made to PSAPs. To verify that all fees have been paid, the balance of the administrative payable account should be \$2,000 at the end of the month.

Completeness of Fee Income

We noted that the Kansas Corporation Commission is to inform Fund management of new wireless carriers in Kansas. However, since the wireless carrier industry is not regulated and not required to register with the Kansas Corporation Commission the absence of new fees may go undetected.

Matters identified for the year ended June 30, 2005 and resolutions to those comments.
(Please refer to the June 30, 2005 management letter for further details of the matters noted.)

Finding	Resolution
Lack of information provided by wireless carriers.	Kansas Statutes have been amended to include rules and regulations authorizing the assessment of civil penalties to wireless carriers.
Account structure nets receipts and disbursements.	Receipts and disbursements are now recorded at their gross amounts. The class function in Quickbooks is currently being utilized to summarize transactions in their respective collection periods.
No accounting procedures manual.	An accounting procedures manual has been created. The manual includes thorough written procedures and instructions to ensure that transactions are recorded consistently and properly. Additionally, the manual will be a good tool to aid in the training of new employees.
Fund not covered by blanket employee dishonesty insurance.	The necessary insurance coverage for this Fund has been obtained.
Improvements needed to bank reconciliation procedures.	Bank reconciliations have been improved due to the utilization of additional accounting personnel. Phyllis completes the bank reconciliation in a timely manner. Kim reviews both the unopened bank statements and the completed bank reconciliation and initials and dates both to provide documentation of her reviews. Kim also compares the spreadsheet sent by Dennis to the cash receipts on the bank statements.
No policy to approve journal entries.	A policy for journal entries is located in the newly created accounting procedures manual. Journal entries are accompanied with the spreadsheet provided by KAC as supporting documentation. Journal entries are reviewed and initialed by the LKM director.

WIRELESS ENHANCED 911 LOCAL FEE FUND

Statements of Cash Receipts and Disbursements

YEARS ENDED JUNE 30, 2006 AND 2005

**SS Summers, Spencer &
&C Callison, CPAs, Chartered**
CERTIFIED PUBLIC ACCOUNTANTS

*Wireless Enhanced 911 Local Fee Fund
Statements of Cash Receipts and Disbursements
Years Ended June 30, 2006 and 2005*

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INDEPENDENT AUDITORS' REPORT

To the Local Collection Point Administrator
Wireless Enhanced 911 Local Fee Fund

We have audited the accompanying statements of cash receipts and disbursements of the

WIRELESS ENHANCED 911 LOCAL FEE FUND

for the years ended June 30, 2006 and 2005. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the statements of cash receipts and disbursements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements of cash receipts and disbursements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statements of cash receipts and disbursements. We believe that our audits provide a reasonable basis for our opinion.

As described in note 1, as prescribed by Kansas statute, these financial statements have been prepared on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the statements of cash receipts and disbursements referred to above presents fairly, in all material respects, the cash receipts and disbursements of the Wireless Enhanced 911 Local Fee Fund for the years ended June 30, 2006 and 2005, on the basis of accounting described in note 1.

Summers, Spencer & Callison, CPAs, Chartered
Summers, Spencer & Callison, CPAs, Chartered

October 17, 2006

Wireless Enhanced 911 Local Fee Fund

FINANCIAL STATEMENTS

Wireless Enhanced 911 Local Fee Fund
Statements of Cash Receipts and Disbursements

YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
Receipts		
Fees	\$ 4,529,814	\$ 3,767,531
Interest	17,658	8,241
	<u>4,547,472</u>	<u>3,775,772</u>
<i>Total receipts</i>		
Disbursements		
PSAPs	4,272,843	2,988,443
Administrative fees	70,598	59,574
Statewide training expenses	1,030	2,099
	<u>4,344,471</u>	<u>3,050,116</u>
<i>Total disbursements</i>		
Excess receipts over disbursements	203,001	725,656
Cash at beginning of year	<u>725,656</u>	<u>-</u>
Cash at end of year	<u>\$ 928,657</u>	<u>\$ 725,656</u>

Wireless Enhanced 911 Local Fee Fund

Notes to the Financial Statements

YEARS ENDED JUNE 30, 2006 AND 2005

1. Summary of significant accounting policies

(a) Organization

The 2004 Kansas Legislature created the Wireless Enhanced 911 Act (the Act), K.S.A. 12-5321 et seq. The Wireless Enhanced 911 Local Fee was established under this law (K.S.A. 12-5330) requiring wireless carriers to collect 25 cents for each wireless subscriber. The Wireless Enhanced 911 Local Fee Fund (the Fund) represents the fees remitted by the wireless carriers to the Local Collection Point Administrator for distribution to Public Safety Answering Points. The Act is administered by the Governor's Grants Program. As set forth in the statutes, the Kansas Association of Counties and the League of Kansas Municipalities share the duties of Local Collection Point Administrator.

(b) Basis of accounting

The accompanying financial statements present the Fund's activities following the cash receipts and disbursements accounting method. Under this method, revenues are recognized when received rather than when earned and expenses are recognized when paid rather than when the obligation is incurred. The statement of cash receipts and disbursements is a summary of the cash activity of the Fund and does not present transactions that would be included in financial statements prepared using the accrual method of accounting, as contemplated by generally accepted accounting principles.

2. Payments to PSAPs

Using zip code data supplied by the wireless carriers, the Local Collection Point Administrator allocates the fees to Public Safety Answering Points (PSAPs). The payments are made in the month following collection. In some cases, certain wireless carriers have not supplied the information necessary to make the allocation although the fees have been remitted to the Local Collection Point Administrator (see Note 5).

3. Administrative fees

The Local Collection Point Administrator is paid a 2% administrative fee calculated on payments made to PSAPs. All administrative expenses are paid from this administrative fee.

4. Statewide training expenses

Fees attributable to out-of-state zip codes are segregated within the Fund and utilized for training expenses benefiting all PSAPs.

5. Commitments

The Fund's cash balance at June 30, 2006 and 2005 is restricted for payment to PSAPs and the related 2% administrative fee. Undistributed amounts are as follows:

	<u>2006</u>	<u>2005</u>
PSAPs		
Collected August 2004 through June 2005	\$ 246,388	\$ 662,044
Collected July 2005 through June 2006	548,982	-
Statewide training fund	71,816	39,818
Administrative fees	35,543	15,553
Interest income (to be used for statewide training)	<u>25,928</u>	<u>8,241</u>
Fund balance at June 30, 2006	<u>\$ 928,657</u>	<u>\$ 725,656</u>

Wireless Enhanced 911 Local Fee Fund

Notes to the Financial Statements

YEARS ENDED JUNE 30, 2006 AND 2005

6. Deposits

The Fund's cash balance is held in an interest-bearing checking account at a financial institution. The bank balance is secured by a standby irrevocable letter of credit issued by the Federal Home Loan Bank of Topeka. For the year ending June 30, 2006, the letter of credit expires October 27, 2006. For the year ending June 30, 2005, the letter of credit expires October 28, 2005.

7. Subsequent events

Effective July 1, 2006, the Wireless Enhanced 911 Act was amended to include a voice over internet protocol (VoIP) Enhanced 911 fee in the amount of 25 cents per month per VoIP service user. These fees are to be remitted by VoIP providers to the Local Point Collection Administrator for distribution to Public Safety Answering Points.



KANSAS
ASSOCIATION OF
COUNTIES

STATUS REPORT

Before the House Energy and Utilities Committee

March 16, 2007

E-911 Status Update

By Dennis Kriesel, Public Health Policy Fellow

Thank you, Members of the Committee, for allowing the Kansas Association of Counties to provide a status update on the local-collection side of the E-911 system. My role at the KAC involves working with the providers in processing their remittance data, ensuring it matches their payments, and determining how those payments are to be allocated amongst the various Public Safety Answering Points (PSAPs) across the state.

The 2006 calendar year had a high level of local collection remittance compared to previous cycles. Most of the wireless companies understand the data requirements now and routinely submit proper data for corresponding payments or fix faulty data in a timely manner. The 2006 billing period (monies collected from wireless customers for January 2006 through December 2006) brought in \$4,961,638.51 to the Local Collection Point Administrator (roughly \$413,000 per month). Of that amount, we successfully processed \$4,958,648.75, or 99.94%. These totals do not include back payments that processed during this time period, of which there were several (mostly from the 2005 billing period).

The July 2006 billing month marked the start of Voice over Internet Protocol (VoIP) provider remittances to the Kansas E-911 system. It is difficult to say how overall VoIP provider compliance is going, as there is no official list to turn to for knowing which VoIP providers are operating in Kansas. Our information stems from the efforts of the Governor's Grants Program in identifying VoIP providers online that listed Kansas as a place of possible business. Currently, only one VoIP provider regularly complies with the law. Another VoIP provider was complying and then stopped sending money and data (no reason was given), another contacted us to state that they would not pay into the system (citing that they do not have an *interconnected* VoIP service under our definition, and thus not subject to the law), and another just paid for the first time in December 2006 and has not yet supplied compliant data. If some of the traditional wireless companies also offer VoIP services they may be complying in a way transparent to us (e.g., combining both VoIP and wireless payments on the same check). The VoIP provider monies for 2006 account for less than 1% of total monies received.

The Kansas Association of Counties, an instrumentality of member counties under K.S.A. 19-2690, provides legislative representation, educational and technical services and a wide range of informational services to its members. Inquiries concerning this report can be directed to Randall Allen or Judy Moler at the KAC by calling (785) 272-2585.

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ENERGY AND HOUSE UTILITIES

DATE: 3/16/2007

ATTACHMENT 2