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An Audit Report on

**Selected Financial Processes  
and Related Internal Controls at  
the Commission on State  
Emergency Communications**

June 2012  
Report No. 12-037



An Audit Report on

# *Selected Financial Processes and Related Internal Controls at the Commission on State Emergency Communications*

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## **Overall Conclusion**

The Commission on State Emergency Communications (Commission) should improve its monitoring of statewide 9-1-1 grant funds to help ensure that the 24 councils of governments (councils) submit reliable financial data and that grant funds are used for authorized purposes.

Although auditors' tests showed that the financial data for the seven councils reviewed was accurate and that funds were properly spent, the Commission lacks adequate procedures to verify that councils' expenditures are accurately reported and allowable.

The Commission properly allocated 9-1-1 service fee revenue to the councils and emergency communication districts in accordance with applicable state law during fiscal years 2010 and 2011. The Commission also classified expenditures correctly within the Uniform Statewide Accounting System according to the Office of the Comptroller of Public Accounts' *Manual of Accounts* for fiscal years 2010 and 2011.

The Commission should improve its monitoring of its six regional poison control centers to strengthen the safeguarding of confidential patient data. Specifically, the Commission should strengthen the contract with its information technology services vendor to require the vendor to improve its access controls and back-up and recovery procedures for automated services.

Auditors communicated other, less significant, issues to Commission management separately in writing. Those issues were related to the Commission's monitoring of the councils' expenditures and procurements and the security of the Commission's information technology assets.

### **Background Information**

The Commission on State Emergency Communications (Commission) is charged with oversight of the statewide 9-1-1 and poison control programs. The Commission is funded primarily through telephone service fees. The Commission received a total of \$301.7 million from those fees during the 2010-2011 biennium. As of the end of fiscal year 2011, the Commission had \$158.4 million Cash in the State Treasury, including \$103.4 million in unappropriated funds in the General Revenue Dedicated - 911 Services Account (Fund 5050) (see Appendix 5 for more details).

### **9-1-1 Program**

In Texas, 51 emergency communication districts and a statewide program administered by the Commission and operated by 24 councils of governments (councils) provide 9-1-1 services. During the 2010-2011 biennium, the Commission passed through \$147.7 million to the emergency communication districts. The Commission has no oversight over the districts' use of those funds.

The Commission also contracts with the councils for the provision of 9-1-1 service in those areas for which an emergency communication district does not provide service. The Commission provided councils \$125.6 million in grant funding during the 2010-11 biennium.

### **Poison Control Program**

The Texas Poison Control Network (Network) is comprised of six geographical regional poison centers residing in host hospitals that are linked by a sophisticated telecommunications network. The Network provides information through a 24-hour, toll-free telephone number (1-800-222-1222) to anyone who suspects exposure to toxic substances or needs information related to a suspected poisonous substance. The Commission provided the Network \$13.9 million in funding during the 2010-2011 biennium.

## ***Summary of Management's Response***

Commission management agreed with the findings and recommendations in this report. The Commission's detailed management responses are presented immediately following each set of recommendations in the Detailed Results section of this report.

## ***Summary of Information Technology Review***

Auditors performed a limited review of physical and application controls over the information technology systems that contain the Texas Poison Control Network's case management system and medical reference system. The Commission's controls did not adequately protect data in those systems from unauthorized access (see Chapter 3 for additional details).

In addition, auditors reviewed user access controls over the Uniform Statewide Accounting System and determined that the data in that system was reliable for the purposes of this audit.

## ***Summary of Objective, Scope, and Methodology***

The objective of this audit was to determine whether selected financial processes and related internal controls at the Commission are designed and operating to help ensure accurate and complete financial information and accountability for appropriated funds.

The scope of this audit covered 9-1-1 grants that the Commission allocated to the councils during the 2010-2011 biennium and the transactions associated with those grants between September 1, 2009, and January 31, 2012. The scope also included the Commission's reported expenditures and financial data for grants awarded during the 2010-2011 biennium. Additionally, the scope included the controls over the network and automated systems used by the Commission's six regional poison control centers.

The audit methodology consisted of collecting information and documentation, performing selected tests and other procedures, analyzing and evaluating the results of the tests, and conducting interviews with Commission management and staff.

# Contents

## *Detailed Results*

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Chapter 1	
The Commission Should Improve Its Monitoring of 9-1-1 Grant Funds .....	1
Chapter 2	
The Commission Managed Its 9-1-1 Service Funds in Accordance with Applicable Laws.....	9
Chapter 3	
The Commission Should Strengthen Protection of Patient Data at Regional Poison Control Centers.....	10

## *Appendices*

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Appendix 1	
Objective, Scope, and Methodology .....	14
Appendix 2	
Map of Emergency Communication Entities in Texas .....	18
Appendix 3	
Commission Revenue Descriptions .....	19
Appendix 4	
Map of the Texas Poison Control Network .....	20
Appendix 5	
The Commission's Cash in Treasury Balances .....	21

# Detailed Results

## Chapter 1

### ***The Commission Should Improve Its Monitoring of 9-1-1 Grant Funds***

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The Commission on State Emergency Communications (Commission) should improve its monitoring of statewide 9-1-1 grant funds to help ensure that the 24 councils of governments (councils) submit reliable financial data and that grant funds are used for authorized purposes. The Commission's current monitoring procedures are not sufficient to verify the accuracy and allowability of the councils' expenditures (see text box for more information on the councils' expenditure reporting).

#### **9-1-1 Expenditures Reporting**

Each council of governments (council) completes quarterly expenditure reports by entering summary expenditure data into the Commission's automated financial reporting system. The Commission uses those quarterly expenditure reports as the basis for replenishing the councils' working capital.

Individual expenditure line items in the quarterly expenditure reports fall within three budget categories: (1) administrative, (2) program, and (3) equipment replacement.

Auditors tested financial data for 7 of the 24 councils and determined that the data was accurate and 9-1-1 grant funds were properly spent. However, the Commission lacks adequate controls to help ensure continued data accuracy and expenditure reliability. The Commission provided the 24 councils \$125.6 million in 9-1-1 grant funding during the 2010-2011 biennium.

The Commission also did not receive all supporting documentation necessary to verify the accuracy of working capital refunds and emergency funding requests.

#### Chapter 1-A

### **The Commission Should Improve Its Processes for Verifying That Councils Use 9-1-1 Grant Funds to Achieve Program Goals**

The Commission's current financial monitoring procedures are insufficient to verify that councils are reporting accurate and reliable grant expenditure data. As of April 2012, the Commission used quarterly financial reports as its primary means to monitor the councils' financial activity. The Commission had not instituted sufficient controls to verify that data in the quarterly expenditures report was accurate. For example:

- The Commission did not require the councils to submit supporting documents, such as invoices or purchase orders, to verify that the data reported was accurate and the funds were spent for allowable purposes.
- Although the quarterly funding reports list expenditure totals by line item, the Commission did not require the councils to provide a detailed list of the expenditures.

The Commission's grant monitoring procedures focus on program monitoring rather than financial monitoring.

The Commission changed its monitoring procedures in 2007 to verify expenditures only for councils the Commission rates as "high risk" (see text

#### Risk Assessment

The Commission's current risk assessment process is performed in two stages. An initial survey is sent to the councils to determine an initial risk rating. The Commission then asks the councils for additional information to determine whether the identified risks may be mitigated. The Commission performs on-site monitoring at the councils receiving an initial high risk rating.

After the Commission receives additional information or performs on-site monitoring, the Commission determines a final risk rating. If a council receives a final risk rating of "high" and the Commission determines that a financial risk is part of that rating, the Commission may require the council to submit expenditure data to the Commission for review before releasing 9-1-1-grant funds to the council.

box for more information about the Commission's risk assessment). Because financial risk comprises only 7 percent of a council's risk score, it is unlikely that a council will receive a final rating of high risk due to financial risk. Since the change in procedures, the Commission has not given a council a final rating of high risk and, therefore, it has not verified any council's reported expenditures.

Most of the Commission's monitoring efforts are focused on monitoring the performance of the statewide 9-1-1 program. As part of its performance monitoring, the Commission performed seven on-site visits, covering five councils, during the 2010–2011 biennium. Limited financial monitoring occurred during those site visits because Commission staff verified only that council employees receiving salaries paid with 9-1-1 grant funds performed duties related to the 9-1-1 program. Although this monitoring provides Commission staff with limited assurance that council salary expenditures are for grant purposes, the monitoring

is not sufficient to determine whether other expenditures are accurate or allowable.

Prior to 2007, the Commission tested a random sample of each council's quarterly expenditures. In 2007, the Commission's internal auditor concluded that this monitoring effort should be eliminated or revised because it identified few disallowed expenditures and it did not appear to be cost-effective. In response, the Commission implemented its current monitoring policies and procedures.

The State's *Uniform Grant Management Standards* states that grant costs must be authorized, necessary, and reasonable for proper performance of state grants. Because the Commission does not verify that councils' expenditure data is accurate, it cannot ensure that grant funds are spent for authorized purposes.

Although auditors verified the accuracy of seven councils' expenditure data, the Commission's controls are not sufficient to ensure continued data accuracy and expenditure allowability.

Auditors tested seven<sup>1</sup> councils and determined that:

- All seven councils' general ledgers, totaling \$37.7 million, reconciled to the Commission's online financial reporting system.
- All 243 transactions tested, totaling \$3.9 million in 9-1-1 expenditures, were for authorized transactions that benefited the 9-1-1 program.

However, 4 (57 percent) of the 7 councils did not follow best practices documented in the Commission's 9-1-1 program policy statements. Specifically, those four councils did not have different employees prepare and submit quarterly financial report data.<sup>2</sup> Those duties should be separated so that one person enters the data and another person checks it before releasing the data into the financial reporting system. Having proper segregation of duties within the Commission's online financial reporting system would help prevent councils from reporting inaccurate or unreliable data to the Commission.

## Recommendations

The Commission should:

- Develop and implement an effective monitoring program that enables it to verify that the councils' financial data is accurate and determine whether 9-1-1 grant expenditures are allowable. One approach could be requiring the councils to provide sufficient documentation supporting their reported summary expenditure data and then sampling and verifying the accuracy of this data on a statewide basis. Testing data on a statewide basis would require significantly fewer resources than the monitoring procedures that the Commission discontinued in 2007.
- Add additional financial risk factors to its risk assessment for determination of which councils require additional monitoring, such as a site visit. Additional risk factors could include the salaries of 9-1-1 staff, the percentage of grant funds spent on administrative costs, and the number of emergency funding requests.

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<sup>1</sup> The seven councils reviewed were the Capital Area Council of Governments; Alamo Area Council of Governments; Central Texas Council of Governments; North Central Texas Council of Governments; Texoma Council of Governments; South East Texas Regional Planning Commission; and the City of Laredo, which operates the 9-1-1 program for the South Texas Development Council.

<sup>2</sup> Of the four councils that did not segregate duties, one council had a second person review the data after it was entered into the Commission's automated system, instead of reviewing the data before it was released.

- Modify controls over its online financial reporting system so that when councils report quarterly expenditure data a user must sign off as having reviewed the expenditure data. In addition, the system should require that this user be different from the user who entered the expenditure data.

## Management's Response

### 1-A: Verification of Uses of 9-1-1 Grant Funds

*The Commission will:*

1. *Revise 9-1-1 Program Policy Statements to require the Regional Planning Commission submit additional details for the currently reported summarized 9-1-1 program quarterly expenditures.*
2. *Develop a statistically appropriate sampling method to select items from the Regional Planning Commission 9-1-1 program statewide population of quarterly expenditure additional details, for which supporting documentation will be required.*
3. *Add the following financial risk factors to the Regional Planning Commission 9-1-1 program risk assessment determination:*
  - a. *Salaries of 9-1-1 staff.*
  - b. *Percentage of grant funds spent on administrative costs.*
  - c. *Number of emergency funding requests.*
4. *Revise 9-1-1 Program Policy Statements and reporting systems to require:*
  - a. *Acknowledgement by the Regional Planning Commission that 9-1-1 program expenditure data has been reviewed prior to submission to the CSEC.*
  - b. *Different Regional Planning Commission staff for entry of expenditure data and review of entered expenditure data*

*Responsible Staff: Director of Operations and 9-1-1 Program Director*

*Implementation Date: February 13, 2013*

## The Commission Should Improve Its Review of Working Capital Refunds and Emergency Funding Requests

The Commission did not ensure the councils provided it with adequate documentation to verify the accuracy of working capital refunds and emergency funding requests.

### Working Capital Refunds

#### 9-1-1 Grants Working Capital

The Commission advances the councils sufficient funds so that each council possesses 25 percent of its budgeted operation costs as working capital each quarter. For example, the Commission provided the councils \$12.8 million in working capital for the first quarter of fiscal year 2010.

The Commission requires councils to refund all unexpended working capital for each 9-1-1 grant 14 months after the grant's award (see text box for more information of working capital). All seven councils that auditors tested submitted the required worksheets for working capital refunds, but none of the worksheets had sufficient supporting documentation. The working capital refund worksheet used by each council contained five line items requesting specific information.

Of the seven councils tested:

- All seven did not provide sufficient supporting documentation needed to verify the amounts listed on their working capital refund worksheets. For example, the Commission did not require councils to provide documentation of reported outstanding expenditures. The Commission did not verify that required and sufficient documentation was submitted before processing the refunds. Without sufficient supporting documentation, the Commission cannot verify that the amounts reported on the worksheets are accurate. For example, 2 (29 percent) councils used the incorrect month to determine whether a refund of working capital was required for fiscal year 2010.
- For fiscal year 2011, 6 (86 percent) councils did not provide all required bank account statements, which are needed to verify that the beginning balance used in the calculation was correct. Five of those six councils provided only their investment account bank statement and did not include checking account bank statements as required by the Commission's policies. One council did not provide either its investment account or checking account bank statements.

### Emergency Funding Requests

Councils make emergency funding requests through the Commission's automated financial reporting system. A council submits an emergency funding request to the Commission when it has pending expenditures that exceed the funding on hand. Emergency funding requests contain a detailed listing of the proposed expenditures. The Commission's chief accountant compares the proposed expenditures in each funding request to the requesting council's budget as part of the approval process.

### Emergency Funding Requests

During fiscal years 2010 and 2011, the 7 councils tested submitted 88 emergency funding requests totaling \$20.7 million. Of those 88 requests, 85 (97 percent) requests totaling \$19.9 million did not have sufficient supporting documentation to allow the Commission to determine whether the expenditures were for authorized activities. The Commission does not require the councils to submit other documentation—such as detailed transaction information, purchase orders, or invoices—to support the emergency funding requests. As a result, the Commission does not have the information it needs to verify the accuracy of expenditure data submitted to the Commission for reimbursement.

### Recommendations

The Commission should:

- Ensure that councils submit all sufficient documentation with their working capital refund sheets before processing refunds.
- Modify documentation requirements for working capital refund sheets to require councils to submit sufficient documentation needed for the Commission to verify the accuracy of the data. For example, the Commission should require supporting documentation for all outstanding expenditures.
- Require the councils to submit sufficient documentation to verify the accuracy of the reported expenditure data in emergency funding requests.

### Management's Response

#### *1-B: Working Capital Refunds and Emergency Funding Requests*

*The Commission Will:*

1. *Implement checklists and/or dual verification of documentation supporting 9-1-1 program working capital refunds by the Regional Planning Commissions.*
2. *Revise 9-1-1 Program Policy Statements to require the submission of sufficient documentation by the Regional Planning Commissions for 9-1-1 Program:*
  - a. *Working capital refunds.*
  - b. *Emergency funding requests.*

*Responsible Staff: Director of Operations*

*Implementation Date: February 13, 2013*

Chapter 1-C

**The Commission Changed Its Instructions to the Councils for Classifying Administrative Costs for the 2012-2013 Biennium**

**Instructions for Classifying Administrative Salaries**

The Commission’s instructions to the councils for allocating costs between administrative and program line items for the 2012-2013 biennium explains:

*“Ask, ‘If there were no 9-1-1 Program at the RPC, would this position be funded?’ If the answer is ‘Yes,’ then the position should be charged to RPC Administration.*

*If the answer is ‘No,’ then the position should be charged to the 9-1-1 Program Budget.”*

Source: The Commission’s 9-1-1 Strategic Planning Instructions for fiscal years 2012 and 2013.

The General Appropriations Act (82nd Legislature) decreased the statewide administrative cost allowance for 9-1-1 grants to the councils from \$17.0 million to \$12.8 million. The Commission has budgeted a total of \$7.4 million for administrative costs for the 2012-2013 biennium (see Table 1). The Commission changed its 2012-2013 biennium instructions to the councils for classifying grant expenditures (see text box). The change in instructions resulted in significant changes in how councils budgeted their costs (see Table 2 on the next page). Specifically, the councils reclassified costs that had been classified as administrative costs in the previous biennium as costs related to a newly created program cost line item in the 2012-2013 biennium.

Table 1

Commission’s Total Budgeted Administrative Costs for 9-1-1 Grants 2010-2011 and 2012-2013 Biennia (in millions)			
Biennium	Grant Budget	Appropriation Limit on Administrative Costs	Amount the Commission Budgeted to Administrative Costs
2010-2011 <sup>a</sup>	\$115.3	\$17.0	\$16.6
2012-2013 <sup>b</sup>	\$ 82.9	\$12.8	\$ 7.4

<sup>a</sup> These are budget numbers based on revisions and appropriation reductions during the 2010-2011 biennium.

<sup>b</sup> These are the original budgeted amounts for the 2012-2013 biennium.

Table 2

Councils' Budgets for Administrative and Program Costs 2010-2011 and 2012-2013 Biennia (in millions)			
Biennium	Total Grant Budget	Administrative Costs Budget	Program Costs Budget
2010-2011	\$115.3 <sup>a</sup>	\$16.6 (14%)	\$81.0 (70%)
2012-2013	\$ 82.9	\$ 7.4 (9%)	\$75.5 (91%)

<sup>a</sup> For the 2010-2011 biennium, there was an equipment replacement budget in the amount of \$17.6 million (15 percent) that is not included in this total (total budgets and percentages do not sum due to rounding). For the 2012-2013 biennium, the equipment replacement budget was \$0.

The seven councils that auditors tested each eliminated an average of six administrative line items. The eliminated line items for the seven councils contained a combined total of \$2.7 million in costs. In addition, all seven councils added a new "Operations" line item in the program portion of their budgets. That line item contains costs that were formerly charged to the eliminated administrative line items.

The statutory definition of administrative costs relies on the definitions in generally accepted accounting principles, which do not clearly define administrative costs.

## **The Commission Managed Its 9-1-1 Service Funds in Accordance with Applicable Laws**

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### **Wireless Service Fee Fund Statutory Requirements**

Texas Health and Safety Code, Section 771.0711, requires wireless telecommunications service providers (providers) to collect \$0.50 monthly per wireless voice telecommunication device from their subscribers.

Texas Health and Safety Code, Section 771.0712, requires providers who sell prepaid wireless telecommunications service to collect a fee of 2.0 percent of the purchase price for the services.

The providers remit these funds to the Office of the Comptroller of Public Accounts (Comptroller). The Comptroller deposits the funds into the Emergency Service Fee on Wireless Telecommunications Trust Fund (Fund 0875), which the Commission controls (see Appendix 3).

The Commission is responsible for providing to each emergency communication district (district) that does not participate in the state system a percentage of the funds deposited into the Emergency Service Fee on Wireless Telecommunications Trust Fund. That percentage must be equal to the percentage of the state's population living in that district.

The remaining funds are transferred to the 9-1-1 Service Fee Fund, which funds grants to the councils of governments (councils). The councils each receive a proportional share of the funds provided for grants in the Commission's appropriations.

The Commission managed its three primary state funds—the Emergency Service Fee on Wireless Telecommunications Trust Fund (Fund 0875), the General Revenue Account – Commission on State Emergency Communications Fund (Fund 5007), and the General Revenue Account – 9-1-1 Service Fee Fund (Fund 5050)—tested by auditors in compliance with state law.

**The Commission distributed receipts from the Emergency Service Fee on Wireless Telecommunications Trust Fund in accordance with applicable laws.**

The Emergency Service Fee on Wireless Telecommunications Trust Fund received \$227.0 million from wireless service fees in the 2010-2011 biennium. The Commission correctly distributed \$147.7 million to the 51 emergency communication districts (districts) in proportion to each district's percentage of state population.

The Commission also used population data to calculate its distribution of funds to the districts that agreed with population data reported by the state demographer.

**The Commission classified expenditures as required by the Office of the Comptroller of Public Accounts' *Manual of Accounts*.**

All 34 Commission expenditures from the 2010-2011 biennium that auditors tested were mathematically accurate. In addition, all 34 expenditures were consistent with supporting documentation and classified correctly within the Uniform Statewide Accounting System in compliance with the Office of the Comptroller of Public Accounts' *Manual of Accounts* for fiscal years 2010 and 2011.

## ***The Commission Should Strengthen Protection of Patient Data at Regional Poison Control Centers***

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### **Information Technology Contract**

Through a Department of Information Resources managed services business contract, the Commission contracts with a third-party vendor to perform information technology services, such as maintaining the application systems, maintaining the network servers, and providing help desk functions. Through this contract, the Department of Information Resources works with the Commission on the pricing of services and matches the Commission with a vendor.

Auditors identified weaknesses in the Commission's contract with its third-party vendor for information technology services (see text box for more information about the contracted services). Auditors also identified weaknesses in user access controls at the Commission's six regional poison control centers. Those weaknesses place the Commission at risk of unauthorized access to and loss of confidential data.

Chapter 3-A

### **The Commission Lacks Adequate Contract Monitoring Processes for Its Information Technology Services Vendor**

The Commission did not adequately monitor its third-party vendor for information technology services to help ensure that the vendor complied with all contractual obligations and data security requirements in Title 1, Texas Administrative Code, Chapter 202. The vendor does not have any user access policies. Unauthorized access to data can harm the confidentiality, integrity, and availability of the data and systems and may result in loss of service and increased liability.

The Commission's contract with its information technology services vendor for its six regional poison control centers does not require the vendor to implement the following safeguards required by Title 1, Texas Administrative Code, Chapter 202:

- Documented user access policies and procedures.
- Documented password policies.
- Monitoring of user access.

Title 1, Texas Administrative Code, Section 202.25, requires each state agency's head, or designated representative, and information technology security officer to create, distribute, and implement information security policies. By not requiring the vendor to have documented policies and procedures in place, the Commission is at increased risk of intentional or unintentional loss of data, disclosure of sensitive information, and decreased integrity of data.

### **Contract Requirements**

The Commission did not enforce contract requirements related to retaining supporting documentation for backups of the Commission's six regional poison control centers' case management system for fiscal year 2011. According to the Commission's contract with its information technology

services vendor, the vendor should retain adequate records to establish compliance with the contract until the later of a period of four years after termination of the contract or the full, final, and unappealable resolution of all compliance check or litigation issues related to the contract

Auditors selected five random dates in fiscal year 2011 to test whether back-ups had been performed. However, for all five dates, the vendor was unable to provide any supporting documentation showing that backups had been performed. The vendor stated that an upgrade to a new system resulted in the back-up log information for the previous system not being available.

By not performing regular contract monitoring over key deliverables, the Commission risks paying for services that were not provided, as well as relying on information that is not backed up on a regular basis.

### Recommendations

The Commission should:

- Incorporate in all future contracts for information technology services provided by the Commission on behalf of the Texas Poison Control Network, all applicable state data security requirements, including those in Title 1, Texas Administrative Code, Chapter 202.
- Monitor its vendor to verify compliance with all contractual security provisions, including those related to retaining adequate documentation of all case management system backups.

### Management's Response

#### 3-A: Poison Control Centers Information Technology Vendor Monitoring

*The Commission will:*

1. *Incorporate applicable state data security requirements, including those in Title 1, Texas Administrative Code, Chapter 202, in all future contracts for information technology services provided by the Commission on behalf of the Texas Poison Control Network.*
2. *Develop procedures to monitor regional poison control center information technology vendor performance related to:*
  - a. *Network Security*
  - b. *Data backup*

*Responsible Staff: Director of Operations & Poison Control Program  
Director*

*Implementation Date: December 1, 2012*

Chapter 3-B

### **The Commission Lacked Policies and Procedures for Managing User Access to Its Regional Poison Control Centers' Case Management and Medical Reference Systems**

Auditors identified weaknesses in the Commission's management of user access for the two systems used by its six regional poison control centers (see text box). The Commission does not have user access policies and procedures. While the Commission's information technology services vendor performs the maintenance and upgrades of the systems, the Commission and its regional poison control centers are responsible for managing user access. It should be noted that the identified weaknesses in user access are partially mitigated by the fact that the systems are designed so that they cannot be accessed remotely.

#### **Application Systems**

The Commission's six poison control centers use two applications to perform their functions as specialists in poison information. The first system is a case management system that documents calls received at the poison control centers and the medical services provided to the caller. The second system is a medical reference system that the poison control centers use to review information about drug interactions, toxicology, diseases, acute care, and alternative medicines.

Of the 81 users accounts tested:

- Five (6 percent) were not assigned to a specific user.
- Twelve (15 percent) had privileges in the case management system that did not appear reasonable based on each user's job title and responsibilities.

In addition, the Commission did not have supporting documentation showing that it regularly reviewed user access for any of its six regional poison control centers. The lack of policies and procedures increases the risk that a user could be given inappropriate permissions to modify or delete data.

Documented policies and procedures and periodic review of user access is important in identifying possible unauthorized and inappropriate access and helps protect the integrity of mission-critical data.

## Recommendation

The Commission should develop policies and procedures for its six regional poison control centers to use to perform regular reviews of user access to the case management and medical reference systems to help ensure that user accounts are assigned to specific users and that access is appropriate for the users' job responsibilities.

## Management's Response

### 3-B: Access to Case Management & Medical Reference Systems

*The Commission will:*

- 1. Develop policies that define regional poison control center user access levels for the caller case management and medical reference systems.*
- 2. Develop procedures that regularly verify regional poison control center staff access levels.*

*Responsible Staff: Poison Control Program Director*

*Implementation Date: December 1, 2012*

# Appendices

Appendix 1

## **Objective, Scope, and Methodology**

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### **Objective**

The objective of this audit was to determine whether selected financial processes and related internal controls at the Commission on State Emergency Communications (Commission) are designed and operating to help ensure accurate and complete financial information and accountability for appropriated funds.

### **Scope**

The scope of this audit covered 9-1-1 grants that the Commission allocated to the 24 councils of governments (councils) during the 2010-2011 biennium and the transactions associated with those grants between September 1, 2009, and January 31, 2012. The scope also included the Commission's reported expenditures and financial data for grants awarded during the 2010-2011 biennium. Additionally, the scope included the controls over network and automated systems used by the Commission's six regional poison control centers.

### **Methodology**

The audit methodology consisted of collecting information and documentation, performing selected tests and other procedures, analyzing and evaluating the results of the tests, and conducting interviews with management and staff at the Commission.

Auditors also tested selected expenditures related to 9-1-1 grants at the following seven councils:

- Alamo Area Council of Governments.
- Capital Area Council of Governments.
- Central Texas Council of Governments.
- The City of Laredo, which operates the state 9-1-1 program for the South Texas Development Council,
- North Central Texas Council of Governments.
- South East Texas Regional Planning Commission.
- Texoma Council of Governments.

To assess the reliability of the Commission's accounting data, auditors relied on previous data reliability testing that the State Auditor's Office had performed on the Uniform Statewide Accounting System (USAS).<sup>3</sup> Additionally, auditors reviewed the Commission's user access controls over USAS.

Auditors also assessed the reliability of the Commission's grant finance system. The Commission does not verify for completeness and accuracy the information related to grant expenditures that the councils self-report through the grant finance system. The grant finance system is the primary system used by the Commission to track expenditures for reimbursements and generating summary reports. Auditors considered the data limitations when designing analytical and testing procedures.

Information collected and reviewed included the following:

- Commission contracts with the councils, regional poison control centers, and the Commission's information technology services vendor.
- Wireless distribution fee reports for August 1, 2010, through January 2012.
- Commission policy statements for the 9-1-1 program.
- Strategic plans, grant finance reports, bank statements, policies and procedures, supporting documentation, emergency funding requests, and indirect cost rate and fringe rate plans for the seven councils selected for testing.
- Commission method of finance worksheets for fiscal years 2010 through 2012.
- Texas population projections published by the state demographer for fiscal years 2007 through 2008.
- Commission expenditure data in USAS for fiscal years 1998 through 2011.
- User access lists and policies and procedures for the Commission's case management and medical reference systems and for the network used by the Commission's six regional poison control centers.

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<sup>3</sup> See *State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2011* (State Auditor's Office Report No. 12-555, February 2012).

Procedures and tests conducted included the following:

- Interviewed management and key personnel at the Commission.
- Tested distribution of funds from the wireless 9-1-1 service fee.
- Reconciled 2010-2011 biennium expenditure data from USAS to the Commission's grant finance system.
- Tested a sample of expenditures from the 2010-2011 biennium for accuracy.
- Reviewed user access controls for the case management system and medical reference systems.
- Conducted a walk-through of the Central Texas Poison Control Center's server room.
- Performed testing at seven councils, which included:
  - ♦ Reconciling data in the councils' accounting systems to data in the Commission's grant finance system.
  - ♦ Testing a sample of expenditures for accuracy and allowability.
  - ♦ Testing a sample of procurement expenditures for compliance with Uniform Grant Management Standards and applicable policies.
  - ♦ Testing a sample of indirect expenditures to determine whether the approved indirect cost rate was applied.
  - ♦ Reviewing the councils' bank statements and accounting records.
  - ♦ Comparing emergency funding requests to grant disbursements.
  - ♦ Reviewing the councils' working capital documents.

Criteria used included the following:

- *Uniform Grant Management Standards.*
- Commission policy statements for the 9-1-1 program.
- Texas Health and Safety Code, Chapters 771 and 772.
- Title 1, Texas Administrative Code, Chapter 202 (Information Security Standards).
- Contract between the Commission and its information technology services vendor.

- Texas Government Code, Section 791.025.
- Commission instructions to the councils for preparing their strategic plans for the 2010-2011 and 2012-2013 biennia.

### **Project Information**

Audit fieldwork was conducted from February 2011 through April 2011. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

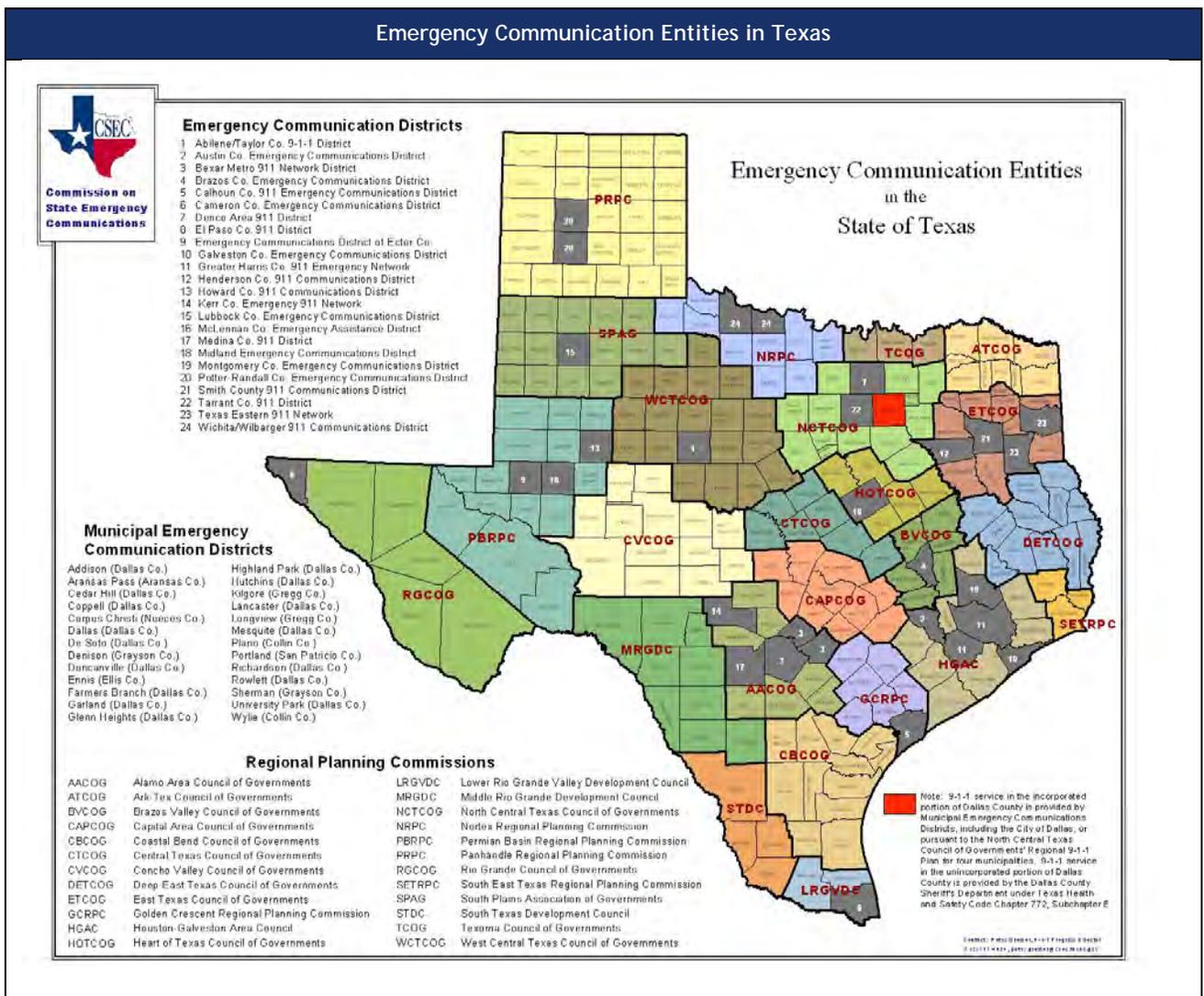
The following members of the State Auditor's staff performed the audit:

- Gregory Scott Adams, CPA, CGFM, MPA (Project Manager)
- Parsons Townsend, CGAP (Assistant Project Manager)
- Isaac A. Barajas
- Michael Gieringer, MS, CFE
- Mario Perez, MS
- Michael C. Apperley, CPA (Quality Control Reviewer)
- John Young, MPAff (Audit Manager)

## Map of Emergency Communication Entities in Texas

In Texas, 9-1-1 services are provided by a mix of 9-1-1 entities (see Figure 1). Those entities include 51 emergency communication districts and the statewide program administered by the Commission on State Emergency Communications and operated by the 24 councils of governments.<sup>4</sup> Of the 51 emergency communication districts, 24 serve an estimated 13.0 million people<sup>5</sup>; the remaining 27 districts are municipalities serving an estimated 2.9 million people. The statewide program serves 224 of Texas' 254 counties and approximately 8.4 million people.

Figure 1



Source: Map provided by the Commission on State Emergency Communications.

<sup>4</sup> The City of Laredo operates 9-1-1 services as a subgrantee for the South Texas Development Council.

<sup>5</sup> Population numbers are based on fiscal year 2008 population projections by the State of Texas demographer.

## Commission Revenue Descriptions

Appropriations to the Commission on State Emergency Communications (Commission) are derived from four telecommunications fees, which are described in Table 3. Revenues generated from the equalization surcharge are used to operate both the state's 9-1-1 program and Poison Control Network. The remaining three fees are (1) paid to the 24 councils of governments, which operate the state's 9-1-1 program as grants and (2) passed through to (or, in the case of the 9-1-1 Service fee, collected directly by) the 51 independent emergency communication districts within Texas.

Table 3

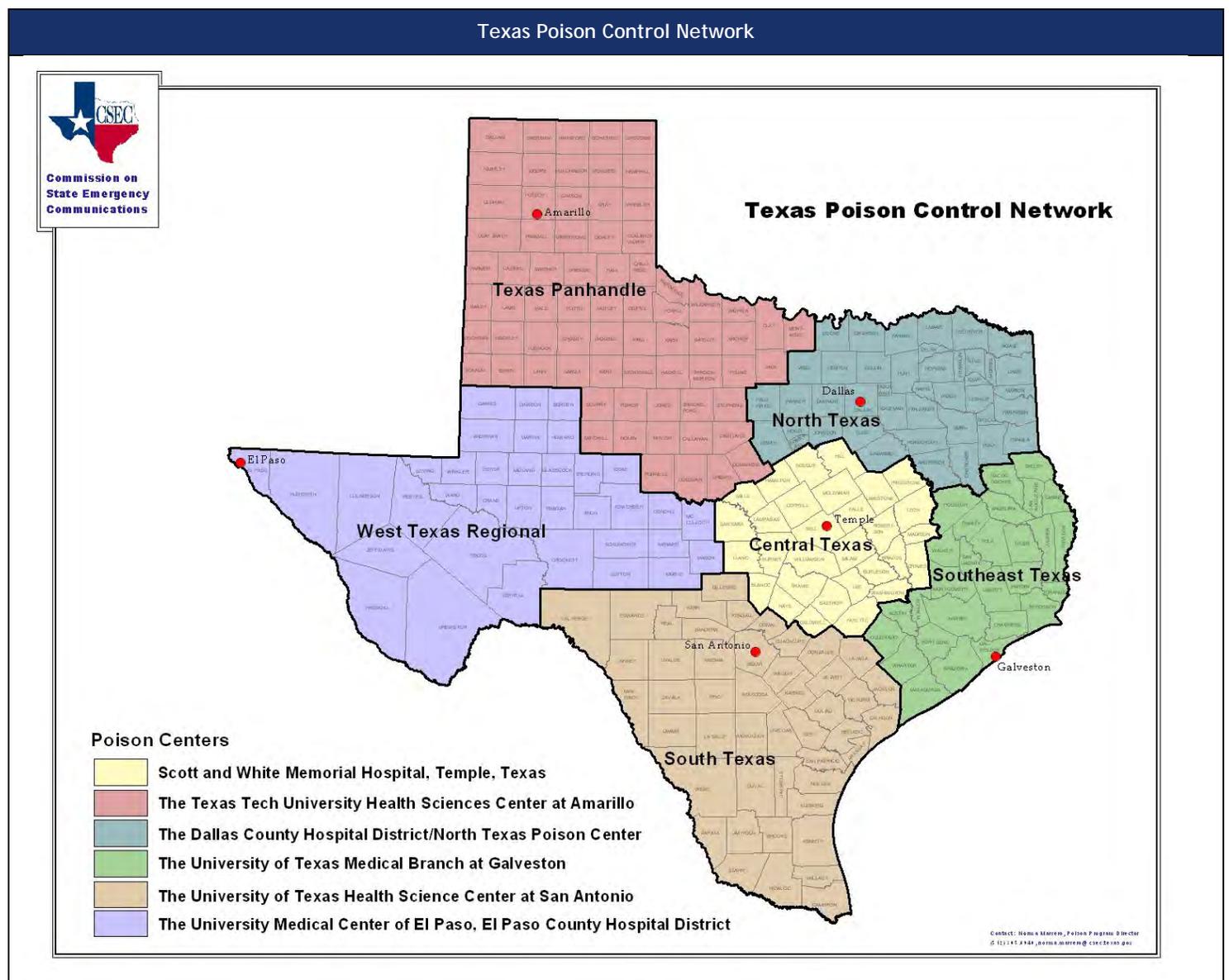
Commission's Types of Revenues			
Fee/Surcharge (Funding Source)	Levied On	Fund in Which the Revenues Are Deposited	Rate Description
Equalization Surcharge	Standard and Wireless Telephone Service	General Revenue Account - Commission on State Emergency Communications (Fund 5007)	Set by the Commission with review by the Texas Public Utility Commission. Not more than \$0.10 per telephone line/wireless connection per month; excludes prepaid wireless. As of March 1, 2012, the rate was set at \$0.06.
9-1-1 Service Fee	Standard Telephone Service	General Revenue Account - 9-1-1-Service Fees (Fund 5050)	Set by the Commission with review by the Texas Public Utility Commission. <u>Councils of Governments</u> Set at \$0.50 per month in 9-1-1 areas served by a council of governments. The fee is remitted to the Office of the Comptroller of Public Accounts. <u>Emergency Communication Districts</u> Varies in 9-1-1 areas served by emergency communication districts. The fee cannot exceed 6 percent of a telephone customer's monthly base rate. The fee is remitted directly to each emergency communication district.
Wireless 9-1-1 Service Fee	Wireless Telephone Service	Emergency Service Fee on Wireless Telecommunications Trust Fund (Fund 0875)	Set by the Legislature. Imposed on each wireless telecommunications connection in an amount equal to a \$0.50 fee per month. The fee is remitted to the Office of the Comptroller of Public Accounts.
Wireless Service Fee on Prepaid Telecommunications	Prepaid Wireless Telephone Service	Emergency Service Fee on Wireless Telecommunications Trust Fund (Fund 0875)	Set by the Legislature. Imposed on each prepaid wireless telecommunications connection in an amount equal to 2.0 percent of the purchase price. The fee is remitted to the Office of the Comptroller of Public Accounts.

Sources: The Legislative Budget Board's *Fiscal Size-up 2012-13 Biennium*, the Office of the Comptroller of Public Accounts' *State of Texas Annual Cash Report 2011*, and the Commission on State Emergency Communications.

## Map of the Texas Poison Control Network

The Texas Poison Control Network (Network) comprises six geographical regional poison centers residing in host hospitals that are linked by a sophisticated telecommunications network (see Figure 2). The Network provides information through a 24-hour, toll-free telephone number (1-800-222-1222) to anyone who suspects exposure to toxic substances or needs information related to a suspected poisonous substance. The Network is funded by revenues generated from an equalization surcharge (see Appendix 3 for a description of the equalization surcharge).

Figure 2



Source: Map provided by the Commission on State Emergency Communications.

## The Commission's Cash in Treasury Balances

The Commission on State Emergency Communications (Commission) had a fiscal year 2011 ending Cash in State Treasury balance of \$158.4 million. Table 4 lists the cash balances for each fund as of August 31, 2011.

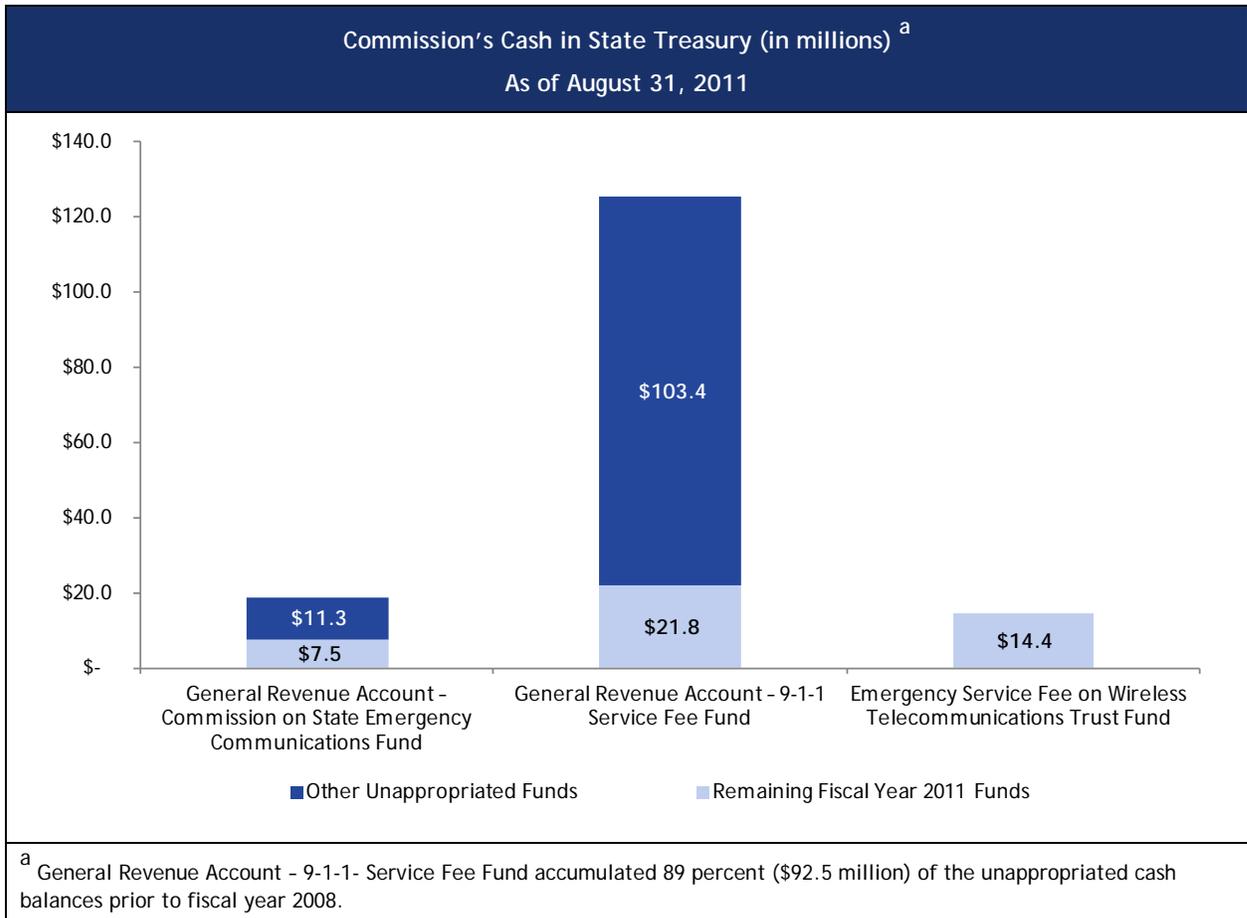
Table 4

Cash in Treasury Balances by Fund (in millions)		
As of August 31, 2011		
State Fund Name	State Fund Number	Cash Balance
General Revenue Account - 9-1-1-Service Fee Fund	5050	\$125.2
General Revenue Account - Commission on State Emergency Communications Fund	5007	18.8
Emergency Service Fee on Wireless Telecommunications Trust Fund	0875	14.4
<b>Total</b>		<b>\$158.4</b>

Source: The Office of the Comptroller of Public Accounts' *State of Texas Annual Cash Report 2011*.

Figure 3 on the next page shows the breakdown of the Commission's fiscal year 2011 ending cash in treasury balances by fund. Other unappropriated funds consist of surplus revenues and lapsed appropriations. Specifically, surplus revenues are revenues the Commission received from the telecommunications fees described in Appendix 3 that exceeded appropriations. Lapsed appropriations are unspent funds from past appropriations to the Commission.

Figure 3



Sources: Data from the Uniform Statewide Accounting System and the State of Texas Annual Cash Report for 2011.

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### **Office of the Governor**

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Ms. Kay Alexander  
Mr. James Beauchamp  
Ms. Sue Brannon  
The Honorable Rick L. Campbell  
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The Honorable David A. Levy  
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