

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL**

DISTRICT OF COLUMBIA

E911/E311 FUND

**Financial Statements
(With Independent Auditors' Report Thereon)
Fiscal Years Ended September 30, 2013, and 2012**



**BLANCHE L. BRUCE
INTERIM INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



May 30, 2014

The Honorable Vincent C. Gray
Mayor
District of Columbia
Mayor's Correspondence Unit, Suite 316
1350 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

The Honorable Phil Mendelson
Chairman
Council of the District of Columbia
John A. Wilson Building, Suite 504
1350 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

Dear Mayor Gray and Chairman Mendelson:

As part of our contract for the audit of the District of Columbia's general purpose financial statements for fiscal year (FY) 2013, Bert Smith & Co. (BS&C) submitted the enclosed final report on the District of Columbia E911/E311 Fund (Fund) (OIG No. 14-1-15UC).

BS&C opined that the financial statements present fairly, in all material respects, the financial position of the Fund as of September 30, 2013, and 2012, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, BS&C has also issued its report on consideration of the Fund's internal control over financial reporting and on its tests of the Fund's compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The audit did not identify any deficiencies in internal control required to be reported under *Government Auditing Standards*. Additionally, tests performed of compliance disclosed no instances of noncompliance or other matters required to be reported under *Government Auditing Standards*.

Mayor Gray and Chairman Mendelson
FY 2013 E911/E311 Fund Financial Statements and
Independent Auditors' Report
OIG No. 14-1-15UC – Final Report
May 30, 2014
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If you have questions or need additional information, please contact me or Ronald W. King,
Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,



Blanche L. Bruce
Interim Inspector General

BLB/ws

Enclosure

cc: See Distribution List

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Mayor Gray and Chairman Mendelson
FY 2013 E911/E311 Fund Financial Statements and
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The Honorable Barbara Mikulski, Chairwoman, Senate Committee on Appropriations,
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The Honorable Richard Shelby, Ranking Member, Senate Committee on Appropriations,
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Mr. Paul Geraty, CPA, Public Sector Audit Division KPMG LLP (1 copy)

GOVERNMENT OF THE DISTRICT OF COLUMBIA
E911/E311 FUND
FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012
(Together With Independent Auditors' Report)

BERTSMITH
& Co.

Certified Public Accountants and Management Consultants

GOVERNMENT OF THE DISTRICT OF COLUMBIA
E911/E311 FUND
FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

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INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of the
Government of the District of Columbia

We have audited the accompanying financial statements of the Government of the District of Columbia (the District) E911/E31 Fund (the Fund) as of and for the years ended September 30, 2013 and 2012, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of September 30, 2013 and 2012, and the changes in the financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages 3 through 6 and budgetary comparison information on page 11, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Boards, who considers it to be an essential part of the financial reporting for placing the basic financial statement in an appropriate operational, economic or historic context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other

As discussed in Note 2, the financial statements present only the E911/E311 Fund and do not purport to, and do not present fairly the financial position of the District as of September 30, 2013 and 2012 and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Washington, D.C.
January 29, 2014

GOVERNMENT OF THE DISTRICT OF COLUMBIA
E911/E311 FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013 AND 2012

The following is a discussion and analysis of the Government of the District of Columbia (District) E911/E311 Fund's (Fund) financial performance for the fiscal years ended September 30, 2013 and 2012. The Office of Unified Communications, which is an independent District agency, is responsible for the administration of the Fund. The financial statements and accompanying notes on pages 7 through 10 should be read in conjunction with this discussion.

Basic Financial Statements

The Fund's basic financial statements are comprised of two components: fund financial statements and notes to the financial statements.

- **Fund Financial Statements.** The governmental financial statements focus primarily on the sources, uses, and balances of current financial resources. The financial statements consist of a balance sheet and statement of revenues, expenditures, and changes in fund balances.
- **Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements.

Financial Highlights

2013

- Pooled Cash increased by \$3,507,902 or 41.61%.
- Vouchers Payable increased by \$1,743,193 or 134.13%.
- User Fees decreased by \$73,807 or -.61%.
- Overall Expenditures increased by \$1,546,212 or 17.55%.

2012

- Pooled Cash decreased by \$8,483,190 or 50.16%.
- Vouchers Payable decreased by \$6,509,059 or 83.36%.
- User Fees decreased by \$869,598 or 6.72%.
- Overall Expenditures decreased by \$6,041,502 or 40.68%.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
E911/E311 FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
SEPTEMBER 30, 2013 AND 2012

Condensed Balance Sheets as of September 30, 2013, 2012, and 2011

	2013	2012	2011	2013-2012		2012-2011	
				Variance	%	Variance	%
Total Assets	\$15,148,141	\$11,751,970	\$20,143,126	\$3,396,171	28.90%	\$ (8,391,156)	-41.66%
Total Liabilities	\$ 3,042,809	\$ 1,299,616	\$12,961,189	\$1,743,193	134.13%	\$(11,661,573)	-89.97
Fund Balance	\$12,105,332	\$10,452,354	\$ 7,181,937	\$1,652,978	15.81%	\$ 3,270,417	45.54%

2013

- **Assets** - An increase in total assets by \$3,396,171 or 28.90% over FY 2012 attributed to the directly charging and reclassification of charges from the special purpose revenue fund to local and capital funds and federal grants.
- **Liabilities** - The liabilities increased in FY 2013 over FY 2012 due to the late receipt of vendor invoices.

2012

- **Assets** - As of September 30, 2012, the Fund had a pooled cash balance of \$8,428,640, a 50.16% decrease from 2011. The decrease is mainly attributed to the payment of the P25 radio upgrades which totaled \$7,446,607. The upgrades were accrued in the prior year. In addition, the Fund had a decrease in user fees of about \$869,598.
- **Liabilities**
 - Vouchers payable decreased by \$6,509,059 primarily due to the payment of radio upgrade accruals during the fiscal year.
 - Due to District General and Special Purpose Revenue Funds decreased by \$5,152,514. The funds owed to the other agencies for transfers incorrectly made to the Fund in 2011 were paid in 2012.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
E911/E311 FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
SEPTEMBER 30, 2013 AND 2012

Condensed Statements of Revenues, Expenditures, and Changes in Fund Balance for the Years Ended September 30, 2013, 2012, and 2011

	2013	2012	2011	2013-2012		2012-2011	
				Variance	%	Variance	%
Revenue							
User Fees	\$11,991,135	\$12,064,942	\$ 12,934,540	\$ (73,807)	-0.61%	\$ (869,598)	-6.72%
Total Revenue	<u>11,991,135</u>	<u>12,064,942</u>	<u>12,934,540</u>	<u>(73,807)</u>	<u>-0.61%</u>	<u>(869,598)</u>	<u>-6.72%</u>
Expenditures							
Telephone, Teletype, Telegram	1,036,811	31,251	-	1,005,560	3217.69%	31,251	100.00%
Professional Fees	3,034,619	3,496,005	2,817,302	(461,386)	-13.20%	678,703	24.09%
Contractual Services Information Technology	4,461,904	3,578,693	9,512,900	883,211	-24.68%	(5,934,207)	-62.38%
Other	365,642	65,145	907,410	300,497	-461.27%	(842,265)	-92.82%
Total Expenditures	<u>10,354,959</u>	<u>8,808,747</u>	<u>14,850,249</u>	<u>1,546,212</u>	<u>-17.55%</u>	<u>(6,041,502)</u>	<u>-40.68%</u>
Interest Income	16,802	14,222	22,103	2,580	-18.14%	(7,881)	-35.66%
Transfers	-	-	(9,263,190)	-	-0.00%	9,263,190	100.00%
Change in Fund Balance	<u>\$ 1,652,978</u>	<u>\$ 3,270,417</u>	<u>\$ 11,156,796</u>	<u>\$(1,617,439)</u>	<u>-49.46%</u>	<u>\$14,427,213</u>	<u>129.31%</u>

2013

• **Expenditures**

- *Telephone, Teletype, and Telegram:* FY 2013 was the first year that the District was authorized to pay both Requests for Telephone Service (RTS) and reoccurring telecommunications charges from the Fund. The charges in FY 2012 represent RTS expenditures of the agency only. The reoccurring telecommunications charges for FY 2012 were charged to local funds within the District's city-wide fixed cost account.
- *Professional Fees:* The decrease is due to the reclassification of expenditures from the Fund to the local fund and federal grants with the District Homeland Security and Emergency Management Agency.
- *Information and Technology and Other:* Due to the expiration/unavailability of other funding sources such as capital and grant funds in FY 2013, the District purchased additional communications equipment associated with the P25 radio system upgrade from the Fund. In FY 2012, the District was able to utilize other funding sources for P25, thus limiting the expenditure to the Fund. In addition, the District purchased replacement operations floor furniture and computer equipment from the Fund.

2012

- **Revenue** - The Fund assesses user fees to carriers. The fiscal year 2012 fees totaled \$12,064,942, which was a decrease of \$869,598 or 6.72%. The decrease in user fees is mainly attributed to a reduction in the number of (wireless and wireline) landlines as more consumers are only using wireless telephones. User fees are based on the number of landlines in a home.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
E911/E311 FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (*Continued*)
SEPTEMBER 30, 2013 AND 2012

- **Expenditures** - Overall expenditures decreased by \$6,041,502 or 40.68% due to purchase of the P25 Radio Upgrades in 2011 which were funded by capital and grant funds. The District also received a Capital reprogramming of \$3.0M in Fiscal Year 2012 solely for the purpose of the P25 Radio Upgrade.
- **Transfers** - In 2011, the District's City Council authorized the transfer of funds from the Fund to the District's General Fund as part of the Fiscal Year 2011 Transfer of Special Purpose Funds Act of 2010.

This report is designed to provide a general financial overview of the Government of the District of Columbia's Government E911/E311 Fund. If you have any questions regarding this report, please contact Angelique Hayes, Associate Chief Financial Officer for Public Safety and Justice Cluster.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
E911/E311 FUND
BALANCE SHEETS
SEPTEMBER 30, 2013 AND 2012

	2013	2012
ASSETS		
Pooled Cash	\$ 11,936,542	\$ 8,428,640
Accounts Receivable	2,722,797	2,837,108
Due from District's General Fund	472,000	472,000
Interest Receivable	16,802	14,222
Total Assets	\$ 15,148,141	\$ 11,751,970
 LIABILITIES AND FUND BALANCE		
Liabilities		
Vouchers Payable	\$ 3,042,809	\$ 1,299,616
Total Liabilities	3,042,809	1,299,616
 Fund Balance		
Restricted	12,105,332	10,452,354
Total Fund Balance	12,105,332	10,452,354
 Total Liabilities and Fund Balance	 \$ 15,148,141	 \$ 11,751,970

The accompanying notes are an integral part of the financial statements.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
E911/E311 FUND**

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Revenue		
Wireline, Wireless, and VOIP User Fees	\$ 11,421,463	\$ 11,674,161
Prepaid Wireless and Internet User Fees	<u>569,672</u>	<u>390,781</u>
Total Revenue	<u>11,991,135</u>	<u>12,064,942</u>
Expenditures		
Supplies	76,618	41,648
Telephone, Teletype, and Telegram	1,036,811	31,251
Travel	5,425	205
Professional Services	3,034,619	1,899,224
Contractual Services	1,455,983	1,637,653
IT Training	51,783	40,000
IT Hardware Maintenance	857,733	9,504
IT Software Maintenance	1,474,686	2,881,873
IT Assessment	281,544	259,057
IT Hardware Acquisitions	1,796,158	388,259
Security Services	-	1,596,781
Furniture and Fixtures	153,480	-
Equipment and Machinery	<u>130,119</u>	<u>23,292</u>
Total Expenditures	<u>10,354,959</u>	<u>8,808,747</u>
Excess of Revenue Over Expenditures	1,636,176	3,256,195
Other Financing Sources		
Interest Income	<u>16,802</u>	<u>14,222</u>
Total Other Financing Sources	<u>16,802</u>	<u>14,222</u>
Net Change in Fund Balance	1,652,978	3,270,417
Fund Balance, at October 1	<u>10,452,354</u>	<u>7,181,937</u>
Fund Balance, at September 30	<u>\$ 12,105,332</u>	<u>\$ 10,452,354</u>

The accompanying notes are an integral part of the financial statements.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
E911/E311 FUND
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

NOTE 1 DESCRIPTION OF FUND

The Emergency and Non-Emergency Number Telephone Calling Systems Fund (the "Fund") was created on August 11, 2000 pursuant to the Emergency and Non-Emergency Telephone Calling Systems Fund Act of 2000 (the "Act"). The Fund is part of the General Fund of the District of Columbia (the "District") and is funded by user fees imposed by the Act. The user fees are collected from providers who have subscribers with wireless, wireline, and voice over internet protocol services. Effective October 1, 2010, the Fund began collecting fees from providers who sell prepaid wireless services. The Office of Unified Communication (OUC), an independent District agency, is responsible for the administration of the Fund.

Under the Act, none of the monies from the Fund can be used to defray personnel costs and non-personnel costs related to overhead, including energy, rentals, janitorial services, or occupancy costs. These costs are funded by local appropriated funds. The Fund can be used to defray technology and equipment costs directly incurred in providing a 911 system and direct costs incurred by wireless carriers in providing wireless E-911 service.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- ***Reporting Entity***

The Fund is part of the General Fund of the District. These financial statements present only the Fund and are not intended to present fairly the financial position or changes in financial position of the District as a whole in conformity with accounting principles generally accepted in the United States of America.

- ***Measurement Focus and Basis of Accounting***

The financial statements are accounted for using the flow of current financial resources measurement focus and the modified basis of accounting. Revenue is recognized when it is both measurable and available. Revenues are considered to be available when collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, any revenues collected within 60 days after year-end is considered available to pay liabilities of the Fund. Expenditures are recorded when the liability is incurred.

- ***Estimates***

The preparation of the financial statement in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities. These estimates also affect the contingent assets and liabilities at the date of the financial statements and the reported amounts of receivables and expenses during the period. Accordingly, actual results could differ from those estimates.

NOTE 3 POOLED CASH

The Fund's cash is deposited into an invested pooled account with the District. In accordance with District policies, substantially all of its deposits were insured or collateralized with securities held by the District or by its agent in the name of the District.

As required by D.C. Law 34-1802, the District allocates to the Fund its share of interest income earned from the pooled account. In fiscal year 2013 and 2012 interest income allocated to the Fund totaled \$16,802 and \$14,222, respectively. At September 30, 2013 and 2012, the Fund's pooled cash with the District totaled \$11,936,542 and \$8,428,640, respectively.

NOTE 4 ACCOUNTS RECEIVABLE

Accounts Receivable represents an estimate of fourth quarter fees owed by carriers. At September 30, 2013 and 2012, accounts receivable was estimated at \$2,722,797 and \$2,837,108, respectively.

NOTE 5 DUE FROM DISTRICT'S GENERAL FUND

The Fiscal Year 2011 Transfer of Special Purpose Funds Act of 2010 (Act) authorized the transfer of \$472,000 from the Fund to the District's General Fund. The District made the transfer in the prior year. However, the Fund's use is restricted for the purchase of E911 equipment and it does not have any unrestricted funds. As a result, a due from the District's General Fund has been recorded at year-end of \$472,000.

NOTE 6 SUBSEQUENT EVENTS

The District has evaluated any subsequent events through the date this report was available for issuance which is January 29, 2014. The review revealed no material events that would have an effect on the financial statements.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
E911/E311 FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
User Fees	\$11,381,995	\$11,991,135	\$ (609,140)
Total Revenues	<u>11,381,995</u>	<u>11,991,135</u>	<u>(609,140)</u>
Expenditures			
Supplies	76,618	76,618	-
Telephone, Telegraph, and Telegram	1,065,502	1,036,811	28,691
Travel	17,000	5,425	11,575
Professional Fees	3,785,248	3,034,619	750,629
Contractual Services	1,455,983	1,455,983	-
IT Training	50,000	51,783	(1,783)
IT Hardware Maintenance	1,043,993	857,733	186,260
IT Software Maintenance	1,079,156	1,474,686	(359,530)
IT Assessment	199,557	281,544	(81,987)
IT Hardware Acquisitions	2,608,938	1,796,158	812,780
Furniture and Fixtures	-	153,480	(153,480)
Equipment and Machinery	-	130,119	(130,119)
Total Expenditures	<u>11,381,995</u>	<u>10,354,959</u>	<u>1,027,036</u>
Revenue Over Expenditures	<u>\$ -</u>	<u>\$ 1,636,176</u>	<u>\$ 1,636,176</u>

GOVERNMENT OF THE DISTRICT OF COLUMBIA
E911/E311 FUND
NOTE TO BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2013

NOTE 1 BUDGET BASIS

The Fund has a legal adopted budget approved by the District's City Council. Pursuant to the Reprogramming Policy Act, the District may reallocate budget amounts within an appropriation title. No reallocations occurred within the Fund in fiscal year 2013. The budgetary comparison schedule has been prepared in accordance with the accounting principles generally accepted in the United States of America.



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

To the Mayor and Council of the
Government of the District of Columbia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the District of Columbia (the District E911/E311 Fund (the Fund), as of and for the years ended September 30, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated January 29, 2014.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those in governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of the Report

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

Beal Smith & Co.

Washington, D.C.
January 29, 2014