GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL

DISTRICT OF COLUMBIA

E911/E311 SPECIAL REVENUE FUND

Schedule of Revenues and Expenditures
and Independent Auditor's Report
Year Ended September 30, 2009

CHARLES J. WILLOUGHBY
INSPECTOR GENERAL

OIG No. 10-1-09UC **March 30, 2010**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General

March 30, 2010

The Honorable Adrian M. Fenty
Mayor of the District of Columbia
Mayor's Correspondence Unit, Suite 316
1350 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

The Honorable Vincent C. Gray
Chairman
Council of the District of Columbia
1350 Pennsylvania Avenue, N.W., Suite 504
Washington, D.C. 20004

Dear Mayor Fenty and Chairman Gray:

As part of our contract for the audit of the District of Columbia's general purpose financial statements for fiscal year (FY) 2009, Bert Smith and Company (Bert Smith) submitted the enclosed final report on the District of Columbia E911/E311 Special Revenue Fund (Fund).

Bert Smith opined that the financial statements present fairly, in all material respects, the revenues and expenditures of the Fund for the year ended September 30, 2009, in conformity with accounting principles generally accepted in the United States of America. In accordance with *Government Accounting Standards*, Bert Smith also has 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, and grant agreements and other matters.

If you have questions or need additional information, please contact Victoria Lucchesi, Acting Assistant Inspector General for Audit, at (202) 727-2540.

Sincerely,

Charles J. Willoughby
Inspector General

Enclosure

CJW/ws

cc: See Distribution List

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DISTRICT OF COLUMBIA GOVERNMENT
E911/E311 SPECIAL REVENUE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2009
(Together With Independent Auditors' Report)

BERT SMITH & Co.

Certified Public Accountants and Management Consultants

DISTRICT OF COLUMBIA GOVERNMENT
E911/E311 SPECIAL REVENUE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

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BERT SMITH & CO.

INDEPENDENT AUDITORS' REPORT

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

We have audited the schedule of revenues and expenditures of the District of Columbia Government's E911/E311 Special Revenue Fund (Fund). This financial statement is the responsibility of the Fund's management. Our responsibility is to express an opinion on the financial statement based on our audit. The prior year financial statements were audited by us and, in our report dated February 13, 2009, we expressed an unqualified opinion on those financial statements.

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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As indicated in Note 2, the accompanying schedule is not intended to present the financial position and changes in the financial position of the Fund or the District of Columbia as a whole in conformity with generally accepted accounting principles as of and for the year ended September 30, 2009.

In our opinion, the schedule of revenues and expenditures referred to above, present fairly, in all material respect, the revenues and expenditures of the Fund for the year ended September 30, 2009, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2010 on our consideration of the Fund'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 the 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.

Bert Smith & Co.

February 23, 2010
Washington, D.C.

DISTRICT OF COLUMBIA GOVERNMENT
E911/E311 SPECIAL REVENUE FUND
SCHEDULE OF REVENUE AND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2009
(With Comparative Totals for 2008)

	2009	2008
Revenue		
User Fees	$ 12,714,347	$ 12,744,103
Expenditures		
Personnel Costs	-	2,323,949
Fringe Benefits	-	495,255
Supplies	131,479	104,622
Maintenance and Repairs	35,016	387,958
Professional Service Fees	97,876	-
Contractual Services	767,874	1,249,449
Advertising	-	6,766
Office Support	113,994	-
Employee Training Tuition	228,232	12,699
IT Maintenance	4,923,206	4,392,137
Furniture and Fixtures	66,198	361,609
Equipment and Machinery	26,081	5,284,429
Other	105	142,508
IT Acquisitions	97,082	65,505
Total Expenditures	6,487,143	14,826,886
Excess Revenues Over (Under) Expenditures	6,227,204	(2,082,783)
Other Financing Sources (Uses)		
Interest Income	1,608,300	-
Transfer to Local Funds	(1,633,826)	-
District Agency Transfers In	10,183,482	-
Total Other Financing Sources (Uses)	10,157,956	-
Net Change in Fund Balance	16,385,160	(2,082,783)
Fund Balance, Beginning of the Year	3,697,405	5,780,188
Fund Balance, End of the Year	$ 20,082,565	$ 3,697,405

The accompanying notes are an integral part of this schedule.

DISTRICT OF COLUMBIA GOVERNMENT
E911/E311 SPECIAL REVENUE FUND
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 1 DESCRIPTION OF FUND

The Emergency and Non-Emergency Number Telephone Calling Systems Fund (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 a special revenue 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.

As stipulated by the Act, the Fund can be used solely to defray personnel and non-personnel costs incurred by the District and its agencies and instrumentalities in providing an E911/311 system and to cover direct costs incurred by wireless carriers in providing enhanced E911/311 service. Effective October 1, 2008 under D.C Law 34-1802, however, none of monies from the Fund can be used to defray personnel costs. The Fund is not to be used for any other purpose. The Office of Unified Communication, an independent District agency, is responsible for the administration of the Fund.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- ***Financial Reporting Entity***

  The accompanying schedule presents only the revenues and expenditures of the E911/E311 Special Revenue Fund (the Fund). The minimum combination of financial statements required to qualify a report as basic financial statements and which are needed for fair presentation of an entity in conformity with generally accepted accounting principles (GAAP) are not presented. Furthermore, the accompanying schedule is not intended to present the financial position or changes in financial position of the Fund or the District of Columbia as a whole in conformity with GAAP.

- ***Measurement Focus***

  All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified basis of accounting. Operating statements of these funds present increases (revenues and other financial sources) and decreases (expenditures and other financing uses) in net current assets.

- ***Basis of Accounting***

  The schedule of revenue and expenditures was prepared using the modified accrual 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.

SPORTS AND ENTERTAINMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009 AND 2008

This Management's Discussion and Analysis (MD&A) provides a narrative overview and analysis of the financial activities of the D.C. Sports & Entertainment Commission (Commission) for the fiscal years ended September 30, 2009 and 2008. This discussion and analysis should be read in conjunction with the basic financial statements and the notes to the basic financial statements, which follow this discussion on pages 8 through 16.

REPORTING THE COMMISSION AS A WHOLE

The D.C. Sports and Entertainment Commission's mission is to promote the District as a venue for sports and entertainment activities. The Commission operates and manages Robert F. Kennedy Memorial Stadium (the Stadium) and the non-military functions of the D.C. National Guard Armory (the Armory). The funds required to operate and maintain these facilities and to support the Commission's general operations are derived from revenues generated from events held at the Stadium and the Armory and annual subsidy from the Government of the District of Columbia (District).

COMMISSION HIGHLIGHTS

2009

The Commission operated the RFK Stadium for its major league soccer tenant—D.C. United. D.C. United played approximately 25 games and held several international soccer games at RFK.

2008

During fiscal year 2008, the Commission completed construction of the new baseball stadium, which is operated by the Washington Nationals. The Commission operated the RFK Stadium for its major league soccer tenant—D.C. United. D.C. United played about 22 games and held several international soccer games at RFK.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Commission's financial report includes: Management's Discussion and Analysis; the Financial Statements; and notes to the Financial Statements.

Statement of Net Assets – The statement of net assets presents all of the Commission's assets, liabilities, and net assets. Net assets are the difference between assets and liabilities. Over time, increases or decreases in the Commission's net assets may serve as a useful indicator of whether the Commission's financial position is improving or deteriorating.

Statement of Revenues, Expenses and Changes in Net Assets – The statement of activities presents information showing how the Commission's net assets have changed during the fiscal year. All changes in net assets are reported as soon as the event underlying the change occurs without respect to the timing of the related cash flows. Accordingly, the revenues and expenses reported in this statement for certain items will result in cash flows in future periods (e.g. accounts receivable and accrued liabilities).

Statement of Cash Flows – The cash flows statement presents information on sources and uses of cash for operations, financing, and investing activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the Commission's financial statements.

NOTE 5 LOCAL FUND TRANSFER

The Fiscal Year 2009 Balanced Budget Support Temporary Amendment Act of "2008" authorized on a temporary basis, the transfer of $1,633,826 from the Fund to the District's local fund to close a budget gap. The transfer was from the Fund's other financing sources and did not include any user fees.

NOTE 6 CONTINGENCIES

In Fiscal Year 2004, the Public Service Commission (Commission) concluded that the District is obligated to pay a local exchange carrier (LEC) $1,449,060 as a result of a rate increase for services performed since May 31, 2002. The District appealed the decision to the Court of Appeals stating that no judgment should have been entered until the Public Service Commission establishes a tariff rate for the E911 service going forward. The D.C. Court of Appeals affirmed the trial court's judgment on liability but remanded to the trial court to determine the issue of damages. No decision has been made on the damages.

A formal case has been filed with the Commission to determine a tariff rate for the E911 service provided by Verizon to the District from April 2004 to the present, as well as prospectively. Since April 2004, the District has been paying $60,000 per month for these services and accruing an additional liability on the books until the Commission sets a rate. On September 30, 2009, the Commission issued an order stating that the Fund was liable to Verizon for $2,242,182 for the time period between April 1, 2004 and September 30, 2009. The Commission also determined that the E911 service rate payable to Verizon each month to be $104,551.Verizon can appeal the order to the D.C. Court of Appeals. An accrual is reflected in the Fund's books for the contingent liability.

BERT SMITH & Co.

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 the schedule of revenues and expenditures of the District of Columbia Government's E911/E311 Special Revenue Fund (Fund) for the year ended September 30, 2009 and have issued our report thereon dated February 23, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fund's internal control over financial reporting as a basis for designing our auditing procedures 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 Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency or combination of control deficiencies that, adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund'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*.

Member, American Institute of Certified Public Accountants - Private Companies Practice Section

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This report is intended solely for the information of the Mayor and the Council of District of Columbia Government and is not intended to be and should not be used by anyone other than these specified parties.

Bert Smith & Co.

February 23, 2010
Washington, D.C.