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INTERNAL AUDIT DEPARTMENT

Report Number 2013-017

***Letter Report - Reconciliation of Centrex
Billing Account***

December 23, 2013

***Latona Thomas, CPA, Director
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COBB COUNTY INTERNAL AUDIT

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Director

December 23, 2013

MEMORANDUM

TO: David Hankerson, County Manager

FROM: Latona Thomas, CPA, Director 

SUBJECT: **Letter Report** - Reconciliation of Centrex Billing Account

As part of our survey of the County's telecommunications costs, we reviewed the billing for the Centrex¹ phone lines. Our purpose was to identify all the Centrex-related telecommunication services the County was paying and perform an analysis to determine if there was a basis for auditing this area.

Results of Survey

We pulled the May 2013 invoice and scheduled the services specified on the Centrex billing statement. The table below shows the results of our analysis.

CENTREX (CLUB) BILLING ACCOUNT 770 528-1976 100			
Description	Count	Amount	Total
Earning Phone Numbers ²	1,774	\$26,442.27	
Metro E Circuits ³	3	\$1,125	\$27,567.27
Internet Lines			
VPN ⁴ Connections	33	\$9,538.05	
DSL ⁵ Connections	15	\$1,167.30	\$10,705.35
Other Charges/Fees			\$351.81
Total			\$38,624.43

Source: May 2013 Centrex Billing Statement

¹Central office network-based communication system for voice and data. Voice telecommunications service that offers traditional telephone system features and functions often found in premises-based systems such as PBX.

²End-user working telephone numbers

³Metropolitan Ethernet – point-to-point Ethernet (a standard communications protocol) connections.

⁴A virtual private network (VPN) is a network that uses a public telecommunication infrastructure, such as the Internet, to provide remote offices or individual users with secure access to their organization's network.

⁵Digital subscriber line (DSL) is a technology that provides Internet access by transmitting digital data over the wires of a local telephone network.

We met with personnel responsible for paying the monthly billing to get an explanation of charges and the methodology for categorizing and allocating costs to the different departments. We also tested (called) some lines to determine if the lines were operational.

Analysis of Invoice and Test of Lines

The monthly billing for Centrex service is combined on one CLUB⁶ invoice. Department Identifiers (DI) divides the invoice into subsections which should show all costs attributed to the business unit specified in the DI. However, there was no legend for the DIs and in many cases; we were unable to determine the department the DI represented. According to I.S. personnel, the DIs were established a while ago and need to be updated to match current billing departments and allocations.

There were also several unknown (e.g. USSOIL) or outdated (e.g. PURC0900) DI designations on the invoice. We called the number assigned to USSOIL to determine its location and whether it was active. We were unable to determine the designated location because a fax machine answered the line; however, the address is consistent with the Cobb County Soil and Water Conservation District Office⁷.

Assuming that PUR0900 was the DI for the Purchasing Department, we tested the three numbers assigned to PURC0900 to determine if they were working and where they terminated. When called, one went immediately to a busy signal (not working), one rolled over to another number assigned to an employee in Purchasing, and the remaining number rang, no answer. We compared the three numbers on the invoice to the current listing of numbers for Purchasing Department personnel and determined that Purchasing currently has nine VOIP numbers, none of which are listed on the Centrex bill.

Since the DIs cannot be used to apportion costs, a spreadsheet is used to allocate the costs on the monthly billing to the appropriate departments. All costs that cannot be attributed to a particular department are allocated to Information Services. We were unable to obtain a sufficient explanation to support the methodology used to allocate costs to respective departments.

Unexplained Higher Rates and Duplicate Phone Numbers

We determined the usual cost for a Centrex phone line is \$12.82⁸. During our research of the Centrex invoice, we identified several phone line charges that exceeded the usual \$12.82 amount (i.e. \$182.82, \$191.00, \$319.76). In addition, for some DI subsections, there were significant charges (i.e. \$863.28) for equipment and circuits. We were unable to determine the basis for the rates and charges internally without contacting the vendor.

⁶The CLUB®, or Customized Large User Bill, is a service offered by AT&T that provides large business users with a customized telephone bill. This service provides the customer bill in a predefined format chosen by the customer.

⁷The Cobb Soil and Water Conservation District (SWCD) is a State of Georgia government entity operating within Cobb County and its local governments. Cobb is one of 40 SWCD across Georgia, working with federal, state and local governments; non-government entities; individual citizens and businesses; and teachers and students to conserve, improve and protect Georgia's natural resources and promote statewide conservation goals.

⁸ Per line charge was calculated for each DI. \$12.82 was the value that appeared most often.

During our analysis, we also identified instances where the same phone numbers were listed under different DIs. For example, there were four phone lines listed under DI-IS0400FD that were also listed under DI-Telecom. No information was available to conclude whether these are valid or duplicate charges.

See table below for numbers and monthly charges.

List of Duplicate Numbers Identified

Number	IS0400FD	TeleCom
770 509 2700	\$275.10	\$6.44
770 591 3150	\$91.70	\$191.00
770 644 2760	\$91.70	\$191.00
770 819 3200	\$445.28	\$0.00

Source: May 2013 Centrex Invoice, Accounts Payable Files

Data Dump/ Reconciliation

Because of these discrepancies, I.S. personnel decided to get a data dump of all Centrex-related lines and equipment and reconcile the County's records to the vendor's billing statement. They plan to investigate the details of every charge and when appropriate, initiate a 'tag-and-locate' to determine if the service physically exists. In addition, they will ask departments to confirm the Centrex services they are currently using. An EXCEL workbook of all charges on the Centrex invoice, by DI subsection will be utilized to perform the reconciliation.

Internal Audit Monitoring and Reporting

Since I.S. personnel have initiated the reconciliation of Centrex services, we will not conduct any further fieldwork to analyze the Centrex-related services at this time. I.S. also agreed to provide periodic updates of their progress throughout their reconciliation process.

At the end of the reconciliation, we will compile the information from the periodic updates and assess the accuracy of the overall reconciliation process. We will also prepare a written report of our overall assessment and its results. I.S. will then have an opportunity to review the draft of this report and respond to its contents prior to issuance.

One of the expected results from this reconciliation process is a reconfigured CLUB billing invoice with costs for phone lines and equipment charges grouped according to the respective departments. This will provide greater efficiencies in the monthly billing, review, and approval process. In addition, actions should be taken to relocate items that should appear on other invoices (i.e. Metro-E charges).

Response

No recommendations are included in this report; therefore, no formal response was necessary. However, I.S. decided to provide a written response (see attached) outlining their proposed actions to address the reconciliation and billing issues of the Centrex account.

As stated, we will issue a report of our overall assessment of I.S.'s reconciliation process and a formal response to any recommendation(s). If you have any questions, please feel free to call me at 770 528-2559 or Barry Huff, Auditor-in-Charge at 770 528-2558.

Final Distribution:

James A. Decker, Acting Information Services Director

Willie Hopkins, Support Services Agency Director

James E. Biggs, Information Services, Technical Support Division Manager

Judy Sheppard, Information Services, Administrative Division Manager

Steve Hewett, Information Services, Communication Division, Technical Services Manager

Cobb County Audit Committee

Internal Audit Department File

Attachment



INFORMATION SERVICES

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James A. Decker
Acting Director

Memorandum

To: Ms. Latona Thomas, CPA, Director, Internal Audit

From: James A. Decker, Acting Director, Information Services 

Date: January 19, 2013

Subject: Reconciliation of Centrex Billing Account - Response

We appreciate being able to review the draft of the Centrex Audit memo before it is presented to the County Manager. We understand that there are areas that can be improved so that all charges are more easily identifiable to anyone who reviews the detailed invoices.

As you know, we have already initiated our audit of the telephone service with AT&T. As we audit each service on the account, we are adding the AT&T USOC's (Universal Service Codes) so we know the specific services assigned to each line/number. We can use the USOC's to tie any service charges back to our contract to ensure that the amount billed matches contract rates. Once everything is reconciled, we will have a database of the services with all of the relevant information. As we audit, if services are in question, we are initiating a tag-and-locate with AT&T to determine if the service physically exists. We will also send inventories to departments and ask them to verify, if possible, the Centrex telephone services they are currently using.

As part of our audit process, we requested AT&T to provide their records of service to us for the account 770-528-1976. We are reconciling the AT&T invoices and the service records and are finding some discrepancies. Any discrepancies noted require involvement from AT&T to get resolution. This audit process requires an in-depth knowledge of telecommunications and utility billing as well as a significant amount of time. We expect the over-all reconciliation process will take 3-4 months.

When responsibility for telephones was transferred from Property Management to Information Services about 10 years ago, we continued to keep the same names to the DI's that were in existence at that same time. The DI's were based on the AMS unit numbers (formerly known as org numbers) for the various departments. We will review the DI's and make a legend for them or create more descriptive DI's, if needed, so that anyone reviewing the invoices will be able to easily identify the departments associated with the charges.

Unexplained Higher Rates and Duplicate Phone Numbers – You are correct that sometimes there are significant charges for equipment and circuits that may not be readily explained by just looking at the amount billed monthly. However, we can access reports that show what comprises each of the charges. Our audit process will include investigating the details of each of the charges. There may be any number of reasons the amounts may be more than the usual cost of \$12.82 for a Centrex line. In many cases, the charges are associated with a NAR (Network Access Register) which is required to complete calls. NARs are used by Centrex similar to PRIs used for VoIP.

We will continue to work on the audit and reconciliation process and will keep you in the loop on our progress. This is a labor intensive process and one which requires a lot of effort by our Technology Services Manager for Data Communications, Steve Hewett. He will be working with Network Support Analyst, Linda Burke, and training her to assist with completing the audit. The outcome of the audit will be an improved billing, review, and approval process.