



# **Information Technology – Telecommunication Billing Audit Report A2015-02**

Issued by the  
Internal Audit Office  
May 28, 2015

**City of El Paso**  
**Internal Audit Office**  
**Information Technology – Telecommunication Billing Audit No. A2015-02**

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***EXECUTIVE SUMMARY***

The Internal Audit Office has concluded its audit of the Department of Information Technology Services (“DoITS”). Based on the results of the audit, six findings have been identified. All six of these findings are considered significant.

Listed below is a summary of the findings identified in this report:

1. A review of 98 FY 2015 Telecommunication invoices identified that invoices are not being properly supported, reviewed and paid in accordance with the City of El Paso Accounts Payable Manual.
2. DoITS is reimbursing the El Paso County 911 District for outdated technology that is costing the City of El Paso approximately \$455,358.06 annually.
3. DoITS is not maintaining a Service Agreement for AVAYA sites currently in use and has paid \$92,870.90 for sites that no longer required maintenance services.
4. DoITS is paying for unused lines and devices. An annual cost savings of \$128,019.48 has been identified by disconnecting unused lines and devices.
5. DoITS paid \$87,409.17 in FY 2014 for services outside of established Service Agreements.
6. DoITS does not have formal procedures or a tracking mechanism in place to track vendor credits.

For a detailed explanation of the findings please refer to the individual finding contained in the body of this Audit Report.

**City of El Paso**  
**Internal Audit Office**  
**Information Technology – Telecommunication Billing Audit No. A2015-02**

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***BACKGROUND***

Telecommunications is the exchange of information over significant distances by electronic means. The City of El Paso uses telecommunications to connect 200 City facilities via:

- City owned Fiber Optics,
- Metro Ethernet Services,
- Leased Lines,
- DSL (digital subscriber line),
- VoIP (Voice over Internet Protocol) Services and other connectivity solutions.

In order for these connections to occur, it requires the management of approximately:

- Two (2) Datacenters,
- One (1) Server Room,
- 550 Network Internet Devices,
- 500 Virtual Servers,
- 5,000 PC's/Workstations and
- 1,500 – 2,000 handsets to include call centers and voice mail.

The City of El Paso's Telecommunications budget averaged \$3,410,220.50 for FY 11 and FY 12. In FY 13, the Telecommunications budget was transferred into DoITS's Administration budget, which currently exceeds 6 million dollars. According to the Aberdeen Group, "Telecommunications is one of the most difficult spend categories to manage. Companies lose 12 – 17% of what they spend on telecommunications as a result of unorganized telecom expense management." Billing errors and loss of control result from:

- evolving technology,
- cumbersome contracting and billing practices,
- keeping up with numerous contracts and
- lengthy, complex invoices.

Given the high dollar and complexity of telecommunications, this audit was completed at the request of the DoITS Director.

***AUDIT OBJECTIVES***

The audit objectives for the Department of Information Technology (DoITS) – Telecommunications Billing Audit were to determine if:

- Comprehensive written policies and procedures governing Telecommunications Billing activities have been established;
- Transactions are processed in a timely manner and in accordance with the City of El Paso policies and procedures and the Texas Prompt Payment Act;
- Appropriate documentation is in place to support transactions;
- Initiatives have been implemented to provide services in the most cost-effective and efficient manner;
- DoITS operates within budgetary limits, and;
- DoITS has implemented adequate internal controls to limit exposure to unauthorized or inappropriate transactions.

**City of El Paso  
Internal Audit Office  
Information Technology – Telecommunication Billing Audit No. A2015-02**

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**AUDIT SCOPE**

The audit period covered the operations of the DoITS during Fiscal Years 2013, 2014, 2015.

**AUDIT METHODOLOGY**

In order to achieve the audit objectives we:

- Conducted interviews with DoITS management and staff,
- Conducted a review of DoITS and the City of El Paso’s applicable policies and procedures,
- Conducted a review of DoITS’ contract management,
- Tested a sample of Telecommunication invoices paid by DoITS and,
- Tested a sample of wireless and line/circuit level accounts to verify that the accounts were still active.

Listed below are the Telecommunication related payments identified for FY 2014 with the corresponding sample tested by the Internal Audit Office for this audit:

<b>Vendor</b>	<b>Type of Service</b>	<b>Total Amount paid in FY 2014</b>	<b>Amount paid by DoITS</b>	<b>Number of invoices in sample</b>	<b>Dollar Amount of Sample</b>
Advocacy Center	Maintenance fee for 3 phone lines used by PD	\$20,417.00	\$117.00	13	\$117.00
Avaya	Maintenance support of Avaya installed systems	\$300,075.51	\$283,247.79	13	\$283,247.79
DIR	Local and long distance on T-1 lines, data, and VoIP	\$378,794.41	\$371,966.29	13	\$371,966.29
911 District	Reimbursement to El Paso 911 District for the ATT 911 Fire Ring Downs	\$515,636.51	\$515,636.51	11	\$515,358.06
T-Mobile	Cellular Service Payments	\$9,838.23	\$7,154.40	14	\$7,154.40
John Hargrove	Cellular Phone provider cell site assessments	\$19,124.00	\$19,124.00	8	\$19,124.00
Verizon	Cellular phone Service, motion computing, in motion onboard Mobile, wireless service	\$1,190,798.92	\$885,795.55	12	\$675,291.81
TW Telecom	Trunk voice and Internet Services	\$224,264.96	\$224,264.96	14	\$224,264.96
AT&T	Voice, data, long-distance	\$2,006,120.93	\$1,629,816.30	0	\$0.00
Totals:		<b>\$4,665,070.47</b>	<b>\$3,937,122.80</b>	<b>98</b>	<b>\$2,096,524.31</b>

We conducted this audit in accordance with *Generally Accepted Government Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing*. 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.

**City of El Paso  
Internal Audit Office  
Information Technology – Telecommunication Billing Audit No. A2015-02**

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***SIGNIFICANT FINDINGS, RECOMMENDATIONS,  
AND MANAGEMENT’S RESPONSES***

The definition of a “Significant Finding” is one that has a material effect on the City of El Paso’s financial statements, identifies an internal control breakdown, is a violation of a City procedure, or a violation of a law and/or regulation, which the City is required to follow. Any finding not meeting these criteria will be classified as a “Regular Finding”.

**Finding 1**

**Invoice Review and Payment**

City of El Paso Strategic Plan 2015 Goal 6.7:

*Deliver effective and efficient processes to maximize value in obtaining goods and services.*

Per the City of El Paso Accounts Payable Manual Dated September 2014 Sections:

- 6.3.1 *Invoices should be processed within ten (10) business days of receipt.*
- 6.3.4 *Use DocLink to electronically attach supporting documentation to voucher.*
- 6.4.4 *The document should also be footed and cross-footed to ensure the accuracy of the calculations made by the vendor.*
- 6.5 *All invoices should be reviewed for compliance with approved agreement amounts and terms prior to payment. All invoices should follow the PO terms.*
- 6.5.1 *The supervisor, or authorized official should review and sign off on the document to insure that there is compliance with the contract or quoted price.*
- 25.1 *Pursuant to Government Code Title 10, Subtitle F, Chapter 2251, the City is obligated to pay interest at the time of payment on goods and services if the payment is overdue.*
- 25.2 *For contracts executed on or after September 1, 1987, a payment is considered overdue on the 31st day after the later of:*
  - 25.2.1 *The date the City receives the goods under the contract;*
  - 25.2.2 *The date the performance of the services under the contract is completed; OR*
- 25.2.3 *The date the City receives an invoice for the goods or service.*

DoITS does not adhere to the Accounts Payable Manual for the payment of invoices. A review of 98 FY 2015 Telecommunication invoices identified that invoices are not being properly supported in PeopleSoft, reviewed, and paid in accordance with the City of El Paso Accounts Payable Manual.

- 17 out of 98 (17.35%) of invoices were not properly authorized prior to payment.
- 50 out of 98 (51.02%) of invoices did not have adequate supporting documentation.
- 73 out of 98 (74.49%) of invoices were not footed or contained evidence of recalculation by DoITS.
- 38 out of 98 (38.78%) of invoices did not tie into the contract or rate plan.
- 32 out of 98 (32.65%) of invoices did not comply with the Prompt Payment Act.
  - 8 invoices incurred late fees totaling \$1,605.96.

**City of El Paso**  
**Internal Audit Office**  
**Information Technology – Telecommunication Billing Audit No. A2015-02**

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**Recommendation**

DoITS should ensure compliance with the Accounts Payable Manual for the payment of invoices. Specifically in the area of :

- Authorizing payments,
- Maintaining adequate documentation,
- Footing invoices and documenting evidence of recalculation,
- Tying in invoices to contracts or rate plans,
- Complying with the Prompt Payment Act.

**Management's Response**

In accordance with Accounts Payable Manual, our administrative team is reviewing and making the appropriate changes to the internal invoice business process including but not limited to the following:

- Invoices are date-stamped upon receipt, and dated upon obtaining approving authority (manager) signature,
- Once approved, all documentation (invoice, voucher, PO activity) is scanned into the payment system,
- Past due amounts are marked and noted on the invoice,
- Cellular rate plans are reviewed annually or based on DIR contract changes. There are approximately four different rate plans that are used due to plans being grandfathered in when the new service was created. The plans do not change unless it is necessary. Also, the plans vary based on the needs of the individual users and are reviewed and monitored monthly.
- Inaccurate past-due balances are reviewed and adjusted with the respective service provider; updated amount is processed for payment. The amount that has already been paid is noted and the correct amount due is written on the invoice,
- Verification and updating of invoice billing and payment addresses.

**Responsible Party**

Kathleen Cooke – Research Management Assistant and Zonia Yee – Information Technology Administrative Manager

**Implementation Date**

March 1, 2016

**City of El Paso**  
**Internal Audit Office**  
**Information Technology – Telecommunication Billing Audit No. A2015-02**

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**Finding 2**

**Fire Department Ring-Down Circuits**

City of El Paso Strategic Plan 2015 Goal 6.7:

*Deliver effective and efficient processes to maximize value in obtaining goods and services.*

For FY 2014 the City of El Paso reimbursed the El Paso County 911 District \$515,358.06 for Ring-Down Circuits for the El Paso Fire Department. A more cost effective solution would have cost approximately \$60,000 annually (\$5,000 a month), resulting in annual cost savings of at least \$455,358.06.

**Recommendation**

DoITS should work with the El Paso Fire Department to implement a cost effective solution.

**Management's Response**

DoITS has identified the constant cost increase for the Ring Down circuits over the last 2 years. The analog telephone monthly fees have steadily increased with AT&T's long term conversion to digital telephone services. In coordination with the 911 District and the Fire Department the new solution has been approved to meet the service level requirements for Public Safety.

The scheduled delivery date for our digital solution is July 15, 2015, with annual projected costs of \$30,000, resulting in a reduction of \$485,358.06.

**Responsible Party**

Enrique Martinez – DoITS Director, Alberto Perches – DoITS Infrastructure Management Division Manager, and Juan Vasquez – Telecom Project Manager

**Implementation Date**

August 1, 2015

**City of El Paso  
Internal Audit Office  
Information Technology – Telecommunication Billing Audit No. A2015-02**

**Finding 3**

**AVAYA Service Agreement**

City of El Paso Strategic Plan 2015 Goals:

- 6.7 *Deliver effective and efficient processes to maximize value in obtaining goods and services.*
- 6.13 *Maintain systems integrity, compliance, and business continuity.*

Per the City of El Paso Accounts Payable Manual dated September 2014 Sections:

- 23.1 *All personal services contracts are required to have an agreement signed by all parties and approved by the City Council.*
- 23.1.1 *Once this agreement has been signed and authorized, a purchase requisition should be entered.*
- 23.2 *All invoices should be reviewed for compliance with the Personal Services Contract that was approved.*

Per the City of El Paso Purchasing Manual dated January 2010 Sections:

- 4.0 *Contract administration is the responsibility of the City department managing the contract. Once awarded the contract administration phase of each contract begins.*
- 49.0 **MONTH-TO-MONTH:** *If a formal contract expires without a new one already in place but the need for the service/supply still exists, that contract can be used up to six months beyond the expiration date or until a new contract is in place, whichever occurs first...a single additional Purchase Order for more than one month will suffice.*

DoITS is not maintaining a Service Agreement for AVAYA sites currently in use and has paid for sites that no longer required a maintenance agreement.

- The DoITS Avaya Contract for maintenance support installed systems has not been extended for FY 2015.
- In FY 2014 DoITS paid Avaya \$92,870.90 for three sites no longer requiring maintenance services:

Site	Months inactive	Monthly Rate	Total Billed & Paid	Comments
2 Civic Center Plaza	16 (May 2013 – Aug. 2014)	\$5,364.08	\$85,825.28	Building imploded
700-A San Francisco Ave.	4 (May 2014 – Aug. 2014)	\$1,350.75	\$5,403.00	Converted to VoIP
5081 Fred Wilson	6 (March 2014 – Aug. 2014)	\$273.77	\$1,642.62	Converted to VoIP
			\$92,870.90	

**Recommendation**

DoITS should:

- conduct an inventory of sites in need of AVAYA service agreements;
- request a refund from AVAYA for the payment of sites that no longer required service agreements;
- ensure that a fully executed Telecommunications Service Agreement is maintained for AVAYA sites currently in use.

**City of El Paso**  
**Internal Audit Office**  
**Information Technology – Telecommunication Billing Audit No. A2015-02**

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**Management's Response**

The system referenced in the above table - 2 Civic Center Plaza - was relocated to our Municipal Service Center (MSC) during the Ballpark construction project. The maintenance billing address was not updated from the original service address.

The referenced Avaya system remained operational until August 14, 2014 and then decommissioned consistent with our MSC VoIP conversion.

700 San Francisco remained active due to delays with the relocation of Sun Metro Administration to the new Transit Operations Center on Montana. Additionally, the City of El Paso lease agreement with the Texas Tech School of Architecture required extended use of the Avaya system to support the elevator emergency phone.

The Sun Metro Lift Services facility (5081 Fred Wilson) telephone services were connected to the 700 San Francisco Avaya system.

Moving forward this contract will be maintained and reviewed by our administration team.

An inventory of all sites that are currently using this Avaya Service Agreement has been created.

Four sites have been cancelled for a reduction of \$6,189.45 monthly and \$55,705.05 per year.

The Avaya Service Agreement is currently on a 12 month term which ends on August 31, 2015. A new Avaya support contract for (38) thirty-eight facilities from the previous (100) one-hundred facilities is being negotiated.

**Responsible Party**

Juan Vasquez – Telecom Project Manager and Alberto Perches – DoITS Infrastructure Management Division Manager

**Implementation Date**

March 1, 2016

**Finding 4**

**Payments for Unused Lines and Devices**

City of El Paso Strategic Plan 2015 Goal 6.7:

*Deliver effective and efficient processes to maximize value in obtaining goods and services.*

DoITS is paying for unused lines and devices. An annual cost savings of \$128,019.48 has been identified by disconnecting unused lines and devices:

- The former DoITS Network Integration Manager submitted a circuit disconnection request to DIR on February 12, 2015. As of May 28, 2015, 15 out of 43 (34.88%) circuits listed on the disconnection request are still pending disconnection. The annual cost of the 15 circuits is \$52,286.88.
  
- On March 2, 2015 a sample of 8 DIR circuits were remotely tested by the Internal Audit Office with the help of DoITS. The remote testing identified that 1 out of 8 (12.50%) lines was not operational and was not listed on the DIR disconnection list. The monthly cost for the circuit is \$310.60 (\$3,727.20 annually). A determination could not be made as to when the circuit became inactive.
  
- On March 31, 2015 DoITS identified 157 cell phone lines with a monthly service cost of \$6,000.45 (\$72,005.40 annually) with no usage for six months. Some lines were still assigned to employees who are no longer employed with the City.

**Recommendation**

DoITS should:

- conduct an inventory of lines, services, and devices;
- disconnect unused lines, devices, and services that have been identified thus far;
- ensure disconnections are properly processed by the carrier and are no longer invoiced;
- and continue the process of identifying unused lines and services.

**City of El Paso**  
**Internal Audit Office**  
**Information Technology – Telecommunication Billing Audit No. A2015-02**

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**Management's Response**

DoITS staff has been working diligently to reduce the monthly cost of the leased lines and circuits provided by AT&T and DIR. DoITS staff has canceled AT&T leased lines and DIR circuits that will provide an annual reduction of \$552,804.48 from AT&T and \$133,812.00 from DIR.

Under the terms of our contract with DIR, the 15 circuits that were still pending disconnection on May 28, 2015 would be charged an early termination fee of \$1,500 per circuit if cancelled before July 1, 2015. DIR has now been notified to proceed with the disconnect work orders.

The circuit found to be non-operational on March 2, 2015 has been verified as a working circuit for the Sun Metro Mobile Radio Network.

DoITS will run a monthly report on zero usage and disconnect or suspend any inactive lines.

Quarterly reports will be sent to Business Managers to maintain and keep user information up to date.

Department managers will be contacted when employees leave the City of El Paso in order to determine whether to transfer, suspend or disconnect the line.

Record inventory and device management information via Cherwell.

Follow up on all line disconnections and note all credits applied to disconnection for DIR circuits.

**Responsible Party**

Zonia Yee – Information Technology Administrative Manager and Juan Vasquez – Telecom Project Manager

**Implementation Date**

March 1, 2016

**City of El Paso  
Internal Audit Office  
Information Technology – Telecommunication Billing Audit No. A2015-02**

**Finding 5**

**Additional Charges**

City of El Paso Strategic Plan 2015 Goal 6.7:

*Deliver effective and efficient processes to maximize value in obtaining goods and services.*

Per the City of El Paso Accounts Payable Manual Dated September 2014 Sections:

- 6.5 All invoices should be reviewed for compliance with approved agreement amounts and terms prior to payment. All invoices should follow the PO terms.
- 6.5.1 The supervisor, or authorized official should review and sign off on the document to ensure that there is compliance with the contract or quoted prices.
- 8.3.1 All invoices should be reviewed for compliance with quoted prices prior to payment.

DoITS paid \$87,409.17 in FY 2014 for services outside of established Service Agreements.

Vendor	Misc. Services	Comments
Avaya	\$900.00	“Service Ticket” Charge not included in equipment service agreement
DIR	\$21,855.30	Non-recurring charges, long distance charges, and usage charges
911 District	\$3,858.52	Additional Prorated Service charges
T-Mobile	\$588.20	Usage Charges and One Time charges
Verizon	\$40,146.15	Usage Charges, Purchase Charges, Equipment (phones, iPads, Mifi cards) Charges, Verizon Surcharges, & Other Charges.
TW Telecom	\$20,061.00	Charges for locations not listed in Service Quote
<b>Total:</b>	<b>\$87,409.17</b>	

**Recommendation**

DoITS should ensure that confirmation of quoted prices, quantities, and services is conducted prior to payment of invoices.

**Management’s Response**

DoITS staff will maintain existing contract pricing documents, obtain missing contract pricing documents, and consolidate them on the IT Admin Share Point site. This documentation will be used to confirm quoted prices, quantities, and services on quotes, estimates and invoices for payment.

**Responsible Party**

Zonia Yee – Information Technology Administrative Manager, Michael Plum – Business Systems Analyst, and Juan Vasquez – Telecom Project Manager

**Implementation Date**

March 1, 2016

**City of El Paso  
Internal Audit Office  
Information Technology – Telecommunication Billing Audit No. A2015-02**

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**Finding 6**

**Tracking of Credits**

City of El Paso Strategic Plan 2015 Goal 6.7:

*Deliver effective and efficient processes to maximize value in obtaining goods and services.*

According to the City of El Paso Accounts Payable Manual Dated September 2014 Sections:

- 11.1 *A vendor credit memo is used to record a credit memo from a vendor when a credit is being issued to the City's account.*
- 11.2 *The department using a non-encumbered voucher should enter all credit memos.*

DoITS does not have formal procedures or a tracking mechanism in place to track vendor credits. A review of 98 DoITS telecommunication invoices identified 23 invoices (23.47%) containing credits totaling \$4,921.78.

Vendor	Amount of Credits
State of Texas Sept of Info Resources (DIR)	\$ 973.81
El Paso county 911 District	\$1,455.30
T-Mobile	\$672.99
TW Telecom	\$1,819.68
Total:	\$4,921.78

A determination could not be made as to the accuracy of the credits received due to the lack of a source document to reconcile against.

**Recommendation**

DoITS should document procedures and implement a tracking mechanism to track vendor Credits, Discounts, Returns, and Allowances.

**Management's Response**

DoITS staff will compare each month's bill with the previous month's bill to make sure credits are applied correctly.

DoITS staff will create an Excel workbook to track all vendor credits. The Excel workbook will list the vendor's name, the date, the invoice number, the amount of the credit and the invoice number of the bill to which the credit was applied.

**Responsible Party**

Juan Vasquez – Telecom Project Manager and Kathleen Cooke – Research Management Assistant

**Implementation Date**

March 1, 2016

**City of El Paso  
Internal Audit Office  
Information Technology – Telecommunication Billing Audit No. A2015-02**

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***INHERENT LIMITATIONS***

Because of the inherent limitations of internal controls, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods are subject to the risk that procedures may become inadequate due to changes in conditions, or that the degree of compliance with the procedures may deteriorate.

***CONCLUSION***

We have concluded our work on the objectives of the Information Technology – Telecommunication Billing Audit. The audit evidence used in the analysis is sufficient and appropriate for addressing the objectives and supporting the findings and conclusion. In accordance with *Generally Accepted Government Auditing Standards*, we are required to conclude whether DoITS met the objectives of this audit. Based on our audit work, we have determined that:

1. DoITS met the audit objectives in the following areas:
  - DoITS is operating within its budgetary limits.
2. DoITS did not meet the audit objectives in the following areas:
  - Telecommunication invoices are not being processed in accordance with the City of El Paso’s policies and procedures and the Texas Prompt Payment Act.
  - Appropriate documentation is not being maintained to support transactions.
  - Initiatives have not been implemented to provide services in the most cost-effective and efficient manner.
  - DoITS does not have a mechanism in place to track vendor credits.
  - DoITS has not implemented adequate internal controls to limit exposure to unauthorized or inappropriate transactions.

DoITS continued efforts with the Voice Over Internet Protocol (VoIP) initiative and the introduction of the assigned City-wide telephone prefix are examples of initiatives that DoITS has implemented to provide services in a cost-effective and efficient manner. By implementing the recommendations identified in this audit, DoITS will ensure that procedures governing Telecommunication Billing activities are enhanced and in compliance with the City of El Paso’s policies and procedures. In addition, DoITS will realize a potential annual cost savings of \$763,657.61:

<b>Source of Cost Savings</b>	<b>Amount</b>
Fire Department Ring-Down Circuits	\$ 455,358.06
AVAYA Service Agreement overpayment	\$ 92,870.90
Payments for Unused Lines and Devices	\$ 128,019.48
Additional Charges outside of Agreements	\$ 87,409.17
Total:	\$ 763,657.61

**City of El Paso**  
**Internal Audit Office**  
**Information Technology – Telecommunication Billing Audit No. A2015-02**

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We wish to thank the DoITS' management and staff for their assistance and numerous courtesies extended during the completion of this audit.

Signature on File  
Edmundo S. Calderón, CIA, CGAP, CRMA, MBA  
Chief Internal Auditor

Signature on File  
Liz De La O, CFE, CIA, CGAP, MPA  
Lead Auditor

Signature on File  
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