



**Presentation to Audit Committee
June 27, 2014**

**Controls Over Telecommunication
Expenses Need Improvement**

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Presentation Outline

- Background
- Audit Objective
- Audit Scope
- Key Issues
- Key Recommendations
- Conclusion





Background

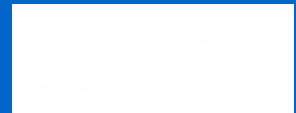
2013 Telecommunication Expenses were \$19.2 million

- Voice Over Internet Protocol (VOIP) and telephone landlines (\$4.4 million)
- Wireless Devices and Services (\$6.5 million)
- Internet and Data Services (\$5.7 million)
- Traffic Light Circuits (\$2.6 million)



Audit Objective

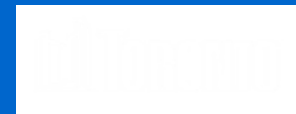
- Work Plan included a review of City telecommunication expenses due to significant amount of funds and last reviewed in 2005.
- The objective of this review was to assess internal controls over the management of telecommunication service contracts, payment of invoices and monitoring of telecommunication expenses by City divisions.





Audit Scope

- The review period included telecommunication services and expenses processed from January 2011 to September 2013.
- The review did not include City Agencies and Corporations.





Key Issues

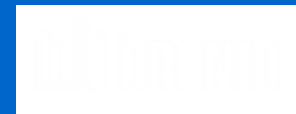
Key issues identified in this review include the following:

- Contract Terms and Conditions (Confidential Attachment 1)
- Contract Management and Compliance
- Monitoring of telecommunication expenses
- Payment of telecommunication invoices
- Inventory management and controls
- User access control to the inventory and billing system



Central Theme: Divisional Management of Telecommunication Services and Expenses Needs Improvement

- Improper Personal Usage
- Inappropriate Plan Selection
- Inappropriate Use of Group/Shared Phones
- Use of phones for international calls – not reimbursed
- Disconnecting unused phones





Key Recommendations (1)

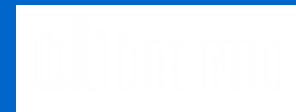
- 20 recommendations to improve controls over the administration of telecommunication expenses, payments and management of telecommunication contracts:
 1. Evaluate contract terms and conditions
 2. Improve contract management and compliance
 3. Improve monitoring of telecommunication expenses





Key Recommendations (2)

5. Improve monitoring of telecommunication services payment processing
6. Periodic review of wireless and landline phone activity would result in significant savings
7. Improve User Access Control to Inventory and Billing System
8. Cost saving opportunities exist for City Agencies and Corporations





Conclusion

- City Manager and Management agree with all recommendations
- Management response and action plans are included as Appendix 2
- A follow-up review of the implementation of audit recommendations will take place in 12 months

