



**Wicomico County, Maryland**  
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## **Internal Auditor's Follow-up Report**

The County Council and County Executive of Wicomico County, Maryland:

The following is a status evaluation of the findings from the Telecommunications Audit (report dated October 18, 2011). Review of the status revealed very little change in county telecommunications since the audit with one major exception: The Purchasing and Finance Directors are in the process of evaluating telecommunications usage and working with Verizon and other agencies in an effort to correct the problems enumerated in the original audit report. We are currently under a three-year contract for Centrex service with Verizon commencing in March 2012.

Respectfully submitted,

J. Stephen Roser, CPA  
Internal Auditor

## Scope and Procedures

IA held interviews with Purchasing Department management and personnel to determine the status of the county telecommunications system since the last report (please see Auditor's Follow-up Report dated May 25, 2012). IA was invited to attend an interview with a potential vendor in an effort to solve some of the problems. IA reviewed documentation to gauge the efforts of the Purchasing Department. Additionally, IA performed a high-level review of the August 2012 Verizon Centrex bill. It was decided that neither efficiency nor effectiveness would be served by another time-consuming detailed analysis of a billing arrangement that remains essentially unchanged.

## Billing

Management from the Finance Department and Purchasing spent a considerable amount of time in an effort to gain some cooperation from Verizon in reorganizing the Centrex phone bill. The goal was to provide a user-friendly format (preferably internet based) that divided the bill into logical (department level) groups so that each department could review its portion of the phone bill. The August 2012 billing remains an unworkable 250-page document that has no logical (for county purposes) organization. Efforts to achieve the goal began in November 2011. IA reviewed a string of 30+ emails between the county and Verizon dating from November 3, 2011 to July 30, 2012. Upon review of the email stream, it seems that Verizon's actions in accomplishing the county's requests seem to be less than stellar.

## Contract

Wicomico County signed a new contract with Verizon in March 2012. The old contract expired in January 2012. According to interviews, an arrangement between the county and Verizon extended the contract for 60 days (via a continuation clause) at current rates. As you may recall, the previous follow-up report (dated May 25, 2012) indicated that Verizon increased the rates to Wicomico County by a substantial amount. That is, Verizon apparently did not adhere to the agreement. The Purchasing Director, through inquiry, was able to secure a refund to the county on September 5, 2012 for \$9,017.59.

## Other Vendors

Through interviews and documentation review, IA obtained evidence that Purchasing is in the process of securing a more functional telephone service arrangement. Work is beginning now, well in advance to the expiration of the current Verizon contract, in order to determine if another provider can increase efficiency and effectiveness in the telecommunications area. Additionally, we have learned that consulting firms such as SpyGlass and others exist and are in the business of leveraging expertise to save

money by dealing with Verizon, AT&T, and cellular providers on behalf of their customers. A sample contract reviewed seems to be similar to the arrangement the county has with ESG for energy savings. That is, the consulting company works for a portion of the realized savings. Purchasing is evaluating the merits of such an arrangement for possible presentation to upper management and Council.

## **Federal Tax Credit**

The County receives a Federal tax credit (totaling 85%) to offset of the Federal taxes charged by Verizon for most of its Centrex phone lines. The credit according to the last follow-up report (dated May 25, 2012) was \$1,226.27 for March 2012. That month, the county received the credit for 257 out of 280 lines. According to the bill for August 2012, the credit totals \$1,228.80. The county received credit for 257 out of 281 lines. It is still unclear why Wicomico County does not receive Federal tax credit for all its Centrex phone lines.

## **Conclusion**

Wicomico County continues to labor under a cumbersome telecommunications system. A robust effort is underway to solve the problems with the system. Management should be commended for their efforts and encouraged to continue. Purchasing requested IA involvement in the evaluation process as an independent observer. With Council's permission, we stand ready to assist. At this point, IA plans another formal follow-up to the telecommunications audit within one year.