

STATE OF WEST VIRGINIA

SPECIAL REPORT

OF

***WEST VIRGINIA DEPARTMENT OF ADMINISTRATION
INFORMATION SERVICES AND COMMUNICATIONS DIVISION
TELECOMMUNICATIONS AGREEMENTS***

FOR THE PERIOD

JULY 1, 1997 - JUNE 30, 2000



OFFICE OF THE LEGISLATIVE AUDITOR

CAPITOL BUILDING

CHARLESTON, WEST VIRGINIA 25305-0610

**WEST VIRGINIA DEPARTMENT OF ADMINISTRATION
INFORMATION SERVICES AND COMMUNICATIONS DIVISION
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TELECOMMUNICATIONS AGREEMENTS

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WEST VIRGINIA DEPARTMENT OF ADMINISTRATION
INFORMATION SERVICES AND COMMUNICATIONS DIVISION
TELECOMMUNICATIONS AGREEMENTS
EXIT CONFERENCE

We held an exit conference on April 27, 2001 with representatives of the West Virginia Department of Administration. The Special Report was reviewed and discussed. The Department's responses are included in bold and italics after each of our solutions in the Solutions section of this Special Report.

STATE OF WEST VIRGINIA
DEPARTMENT OF ADMINISTRATION
ADMINISTRATIVE OFFICERS

Gregory A. Burton Cabinet Secretary
(01/15/01 - Present)

Jack R. Buckalew Cabinet Secretary
(05/27/00 - 01/14/01)

Joseph F. Marcus Cabinet Secretary
(09/29/97 - 05/26/00)

James Teets Cabinet Secretary
(02/01/97 - 09/15/97)

INFORMATION SERVICES AND COMMUNICATIONS DIVISION

Helen Wilson Acting Director
(02/10/01 - Present)

Michael Slater Director
(10/06/97 - 02/09/01)

Matt Brown Director of Communications
(10/17/89 - 10/06/00)

WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance



Theodore L. Shanklin, CPA, Director
Legislative Post Audit Division
Building 1, Room W- 329
1900 Kanawha Blvd., E

Area Code (304)
Phone: 347-4880
Fax: 347-4889

CHARLESTON, WEST VIRGINIA 25305-0610

The Joint Committee on Government and Finance:

The objectives of this Special Report were to gain an understanding of the telecommunications billing process used by the Information Services and Communications Division (IS&C), to determine the amounts owed by the State of West Virginia to the telecommunications companies, to identify problems within the telecommunications billing process and to make recommendations ensuring these problems will be prevented in the future. To achieve the objectives noted above we performed the following:

Reviewed the West Virginia Code and other rules and regulations pertaining to IS&C's telecommunications billing process;

Obtained an understanding of the procedures used to distribute the telecommunications billings from the three telecommunications vendors to the individual spending units;

Interviewed key IS&C and Department of Administration personnel to obtain an understanding of the problems surrounding the telecommunications billing process;

Reviewed the internal audit review and corresponding work papers of the telephone billing practices/ processes of IS&C performed by the Department of Administration;

Reviewed relevant correspondence addressing problems in the telecommunications billing process and any actions taken regarding these problems;

Requested and obtained copies of the telecommunications vendors' billings for the period of July 1, 1997 through June 30, 2000 that were maintained by IS&C;

Attended meetings between the Department of Administration and the telecommunications companies, AT&T and Verizon, concerning the telecommunications billings;

Contacted the Citizens Telecom representative working with the State of West Virginia's telecommunications billings;

Reviewed the agreements between the State of West Virginia represented by the West Virginia Department of Administration and the telecommunications companies;


Identified the responsibilities of the Department of Administration in implementing the agreements with the telecommunications companies;

Identified what we believe to be the problems the Department of Administration encountered in implementing the telecommunications agreements; and,

Developed solutions to correct the current problems with the billing process and to prevent these problems from reoccurring.

The results of our work are contained within this Special Report. The amounts owed by the State of West Virginia to the telecommunications companies have not been determined as of the date of this report.

Sincerely yours,


Theodor L. Shanklin, CPA, Director
Legislative Post Audit Division

April 6, 2001

Auditors: Ethelbert Scott, Jr., Supervisor
Charles L. Lunsford, Senior Auditor
Melanie L. Nuckols, CPA

AGREEMENTS

The agreements with Verizon, AT&T and Citizens telecommunications companies include the following provisions:

1. The agreements are between the State of West Virginia represented by the West Virginia Department of Administration (DOA) and the telecommunications companies;
2. All invoices are billed to the DOA, and the DOA is responsible for all payments;
3. The DOA has thirty (30) to sixty (60) days to pay the current invoices and charges;
4. No taxes are to be paid by the DOA except those included in the agreement;
5. All rates charged to the DOA are included in the agreements; and,
6. Customer Access Billing System (CABS) charges for 459 circuits are fixed at the beginning of the State's fiscal year and cannot be changed during the fiscal year. Any circuits dropped during the fiscal year are charged throughout the fiscal year and credits are never given for the drops. Circuits added during the fiscal year are invoiced under CABS 740 or 730 and are charged at regular price. Circuits may be dropped from these CABS (Verizon only).

DEPARTMENT OF ADMINISTRATION

The DOA is responsible for implementing the agreements with the telecommunications companies as follows:

1. All invoices and charges are billed to the DOA by the telecommunications companies;
2. DOA checks the invoices for proper charges and disallows charges which do not appear proper;
3. DOA distributes the charges to the State spending units covered under the agreements. This process should take about fourteen (14) days from the receipt of the invoices and tapes;
4. DOA is responsible for updating the CABS 459 circuit inventory and adding or dropping circuits to CABS 740 or 730;

5. DOA is responsible for resolving any disputes between the telecommunications companies and State spending units. Also, DOA is responsible for the State spending units paying their charges in a timely manner; and,
6. DOA assigned the implementation of the agreements to its IS&C Division.

PROBLEMS

We noted the following problems with implementing the agreements:

1. The Director of IS&C is not currently required nor expected to have the requisite accounting skills necessary to effectively design and maintain an accounting system for telecommunications services provided to the State according to Chapter 5A, Article 7, Section 3, which deals with the qualification of the Director of IS&C, of the West Virginia Code, as amended;
2. Telecommunications company billings and distribution were not given priority by IS&C, nor were they assigned to a section or individual who wanted this responsibility;
3. There was no management oversight in implementing the agreements;
4. Employees performing the billing process did not have accounting backgrounds;
5. No individual was monitoring the contracts to determine that the contractual rates were being charged;
6. There were inadequate records indicating disputed charges, billings from the telecommunications companies, charges distributed to the spending units, and what the spending units owed;
7. Billings were not being distributed to the spending units in a timely manner;
8. IS&C has not kept a current inventory of the CABS circuits and at times the State spending units deal directly with the telecommunications companies without IS&C's knowledge;
9. The rollover of CABS 740 and 730 to CABS 459 were not being made in accordance with the agreement with Verizon (beginning of each fiscal year). The CABS 740 and 730 were being charged at the regular price until Verizon rolled them into CABS 459. IS&C had inadequate records to determine if the CABS 740 and 730 were given credit for the difference between the fixed price and the regular price; and,

10. IS&C had previously not billed the mileage charges that remained in the CABS 740 and 730 billing after the roll up.

SOLUTIONS

We offer the following solutions:

1. The billings and distributions of telecommunications charges should be made a priority. The Director of IS&C should be assigned this responsibility, and these duties should be included in the Director of IS&C's job description.

Agency's Response

The billings and distributions of telecommunications charges have been included in the job description for the Director of IS&C.

2. Employees assigned by the Director of IS&C to perform the telecommunications billing process should have accounting backgrounds.

Agency's Response

Robin Chambers, Manager of Rates and Revenue at IS&C, supervises the employees performing the billing work. Robin has a Bachelor's degree in Business Administration and an M.B.A. from Marshall University. Robin has 9 years of governmental accounting experience. Greg Hutchinson performs the billing work. Greg has 17 years of accounting clerk experience in private industry and 6 years of accounting clerk experience in state government.

3. The Director of IS&C should be responsible for monitoring the contracts, and this duty should be included in his/her job description.

Agency's Response

The responsibility for monitoring the telecommunications contracts has been included in the job description for the Director of IS&C.

4. The Secretary of Administration should assign a specific employee from his office who should be assigned the responsibility of management oversight in implementing these agreements.

Agency's Response

The Deputy Secretary of Administration is tasked with overseeing the implementation of Post-Audit's recommendations and compliance with the agreements with the telecommunications companies.

5. The Director of IS&C should set a goal for the distribution of the telecommunications charges to the spending units in a timely manner in order for the telecommunications bills to be paid timely.

Agency's Response

Timely telecommunications billing is both an IS&C goal and a Department goal. Goals were submitted to the Governor's Office and will be monitored throughout the year at the department level as well as at the Governor's Office level.

6. The Director of IS&C should assign to an employee with an accounting background the responsibility of keeping a current inventory of the CABS circuits.

Agency's Response

Non-accounting personnel are currently responsible for maintaining the inventory of CABS circuits. Detailed inventory and related billings will be reviewed and approved by the Deputy Secretary of Administration.

7. The Director of IS&C as contract monitor, should disallow the telecommunications companies from accepting any orders directly from spending units under these agreements.

Agency's Response

The telecommunications companies have been informed that any procurements made from this contract must come through IS&C for review and approval prior to processing. They will be reminded of this at the quarterly meetings and will inform us of any contacts with the spending units.

8. The Director of IS&C as soon as practicable at the end of each fiscal year, should send to Verizon all circuits that should be billed under CABS 459, and the Director of IS&C should ensure CABS 740 and CABS 730 are zeroed at the end of the fiscal year. Lastly, the Director of IS&C should be made responsible to determine that all charges, including mileage, have been included in the distribution or roll up of CABS 459.

Agency's Response

The Director of IS&C will meet with Verizon in the May-June time frame to discuss the data circuits on the CABS 730, 740 and 459 to insure that all data circuits are rolled over to the 459 and those that have been canceled during the year are removed from the 459. Mileage charges remain on the 730 and 740. We have also agreed to discuss the feasibility of leaving the data circuit charges on the CABS 730 and 740 in lieu of rolling them to the CABS 459 so that agencies can cancel circuits though out the year.

9. The provisions of Chapter 5A, Article 7, Section 4 (e) of the West Virginia Code should be changed to authorize the Director of Finance under the powers set forth in Chapter 5A, Article 2, Section 1 to design and maintain an accounting system for all telecommunications service to the State provided under agreements between IS&C and all telecommunications companies. This accounting system should provide adequate records regarding disputed charges, billings from the telecommunications companies, charges distributed to the spending units and the amounts owed by the spending units. The Director of Finance, based on our reading of the aforementioned Code section, we would expect to be a trained accountant and he currently has responsibility for monitoring the State-wide accounting system (WVFIMS); therefore, it is logical to give him/her this added responsibility since the telecommunications expenditures are a significant item in the State Budget;

In the alternate, the Director of IS&C should assign the responsibility for design and maintenance of the accounting system for telecommunications services to an employee who possesses the necessary accounting skills to complete the task. In the event no current staff member possesses those accounting skills, the Director of IS&C should recruit an employee capable of accomplishing the objective as it pertains to the accounting system; and,

If IS&C can not recruit a qualified employee, the Director of IS&C should request through the Office of the Secretary of Administration, assistance from other divisions of the DOA to design and maintain the accounting system for telecommunications services.

Agency's Response

The Department of Administration has invested approximately 4,000 hours of design work on an accounting system for telecommunications services. That system includes a means for tracking disputed items and amounts billed. Six to twelve months of additional work may be required to ensure that the telecommunications vendors receive the data necessary to properly credit the state's accounts and to make sure the design addresses the recommendations in this report.

10. It should be ensured in setting up the accounting system that there is a check to see that the CABS 730 and 740 are given credit for differences between the fixed and regular prices should those CABS not be zeroed out at the beginning of the fiscal year.

Agency's Response

The CABS 730 and 740 accounts will be zeroed out at the beginning of the fiscal year with the exception of mileage charges and those other charges that do not roll to the CABS 459. The Deputy Secretary of Administration will review and approve the billings before they are submitted to the agencies from IS&C.

11. The DOA could request from the Legislature a line item appropriation of General and Special Revenue monies to pay the bills directly to the telecommunications companies; thus, eliminating the need to bill the State spending units. Or, in the alternate, the DOA could require the State's spending units to transfer to it all payments, so the DOA could in turn pay the telecommunications companies directly.

Agency's Response

IS&C is considering a new method of billing telecommunications costs tailored after what the State of Pennsylvania has implemented. This would offer a one-stop program where one vendor would provide all voice, video, and data resources to State agencies, higher education, and the Department of Education. The vendor would be responsible for billing and accounts receivable activities. Implementation of this direction would take at least 18 months to two years.

STATE OF WEST VIRGINIA

OFFICE OF LEGISLATIVE AUDITOR, TO WIT:

I, Thedford L. Shanklin, CPA, Director of the Legislative Post Audit Division, do hereby certify that the Special Report appended hereto was made under my direction and supervision, under the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, and that the same is a true copy of said Special Report.

Given under my hand this 12th day of May, 2001.



Thedford L. Shanklin, CPA, Director
Legislative Post Audit Division

Copy forwarded to the Secretary of Administration to be filed as a public record.

Copies forwarded to the Governor, Attorney General; and, State Auditor.