



Cobb County...Expect the Best!

INTERNAL AUDIT DIVISION

Report Number 2012-003

***FINAL - Letter Report: Supplemental Analysis of
Wireless Providers Billing Practices- E911 Fund
Report***

February 6, 2012

***Latona Thomas, CPA, Manager
Barry Huff, Staff Auditor I***



COBB COUNTY INTERNAL AUDIT

Latona Thomas, CPA

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Division Manager

February 6, 2012

TO: David Hankerson, County Manager

FROM: Latona Thomas, CPA, Manager 

SUBJECT: Letter Report – Supplemental Analysis of Wireless Provider Billing Practices-
E911 Fund Report

Finding

During our review of the E911 Fund (Report Number 2012-002), we determined that wireless providers bill the County for 911 recovery costs using a ‘per subscriber billing rate’ rather than the actual costs. Using this method could lead to overcharging the County if the rate is not adjusted when the number of subscribers increase. In addition, O.C.G.A. 46-5-134 (e) requires that cost recovery amounts be based on the actual costs incurred by the wireless service supplier in providing the wireless enhanced 911 services. The billing methodology used is not based on actual costs and thus do not comply with the current law as required.

Discussions with E911 management and the Finance Director resulted in our agreement to perform a separate analysis of the appropriateness of the billing methodology. In order to determine the effect of using this billing method, we conducted an analysis of billings for the period October 1, 2009 to January 12, 2012 for the four wireless providers and their subsidiaries who bill us directly. We compared what they billed us, on a monthly basis, to the most recently available actual cost projections submitted to the County. The amount billed monthly was calculated based on the average monthly invoices received over the audit period.

Our analysis showed one provider is overcharging the County for monthly recurring costs, three are charging below the cost, and no actual cost projection was available for the remaining provider to make the comparison. Although only one provider is currently overcharging us, the potential that other providers can overcharge us is increased if we do not determine the actual cost of providing service and monitor the billing to ensure it does not exceed that amount.

See Table 1 for more details of analysis.

'Per Subscriber Billing Rate' versus 'Actual Cost' Billing

Providers	Subscriber Count/Billing Rate	Amount Billed Monthly	Actual Cost per Provider	Excess Cost Recovery	Date of Cost Justification
Cingular	200,078 @ \$.30	\$60,023	N/A	N/A	March 2008 ¹
Sprint PCS	68,971 @ \$.15/\$16	\$10,037	\$17,596	(\$7,559)	Jan 2005
MetroPCS	51,063 @ \$.10	\$5,106	\$2,935	\$2,171	October 2005
Southern Linc	624 @ \$.30	\$219	\$1,967	(\$1,748)	July 2010

Table 1 – Data Source: Finance Department files. Subscriber count and amount billed is an average amount for the audit period, October 1, 2009 – January 12, 2012.

In addition, the actual cost projections on file in the Finance Department are up to six years old and need to be updated. A qualified person should evaluate the updated cost projections to determine their legitimacy; including, determining whether providers who piggyback on other cellular systems have a legitimate basis for 911 cost recovery.

Recommendation

The Emergency Management Director or the Finance Director should contact the providers that currently direct bill us and obtain current actual cost projections. The projections should be evaluated by an industry professional who can attest to their validity. Costs should be justified as being exclusively E911 related and not supplementing the use of technology that is being used and marketed by the providers for all subscribers (i.e. location based services²). Any cost projections from providers who piggyback on other provider's systems should be scrutinized to determine whether we are double-billed by the primary or auxiliary provider.

In addition, all future invoices should be based on actual costs. If a service provider is allowed to invoice the County monthly using a 'per subscriber billing rate', the actual costs should be reconciled on a periodic basis (quarterly or semi-annually) and any additional amounts due invoiced or any overpayments reimbursed or netted from the next invoice.

Response

Concur - The Emergency Communications Director will present to the County Attorney's office and the Finance Director, the findings of the above analysis. A letter will be drafted requesting a current cost justification (Billing Rate Projection). Additionally, we will request the provider state their methodology used to establish the subscriber count. The responses will be reviewed by industry experts to establish legitimacy. Our goal will be to have the letters sent to the providers by June 2012. The complete response is attached.

¹ AT&T's initial per subscriber rate was \$.206 for Phase I costs. In March 2008, they reconfirmed their billing rate as \$.30 (the maximum rate at that time) and decided not to bill for Phase II monthly recurring costs and waive \$1,325,962 in Phase II non-recurring costs. They did not provide documentation to support the rate. If it was submitted earlier, the evidence was not present in the Finance Department files.

² A **location-based service** (LBS) is an information or entertainment service, which is accessible with mobile devices through the mobile network and uses information on the geographical position of the mobile device. LBS include services to identify a location of a person or object, such as discovering the nearest banking cash machine or the whereabouts of a friend or employee.

Please contact me at (770) 528-2559 if you have questions or Barry G. Huff, Auditor-in-Charge, at (770) 528-2558.

Distribution:

Sam Heaton, Interim Public Safety Agency Director/Fire Chief

Tony Wheeler, Emergency Communications Manager

Ann Flynn, Assistant Communications Manager

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Auditee Response

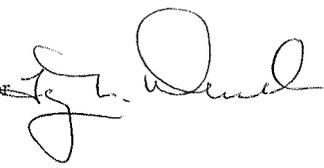


**COBB COUNTY
E911 COMMUNICATIONS BUREAU**

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Tony N. Wheeler
Emergency Communications Manager

TO: Latona Thomas, CPA, Manager, Internal Audit

FROM: Tony N. Wheeler, Emergency Communications Director 

Date: January 31, 2012

SUBJECT: Response to the Internal Audit Division's Supplemental Analysis of Wireless Provider Billing Practices- E911 Fund Report

This memo is in response to the subject letter report dated January 27, 2012.

Recommendation:

The Emergency Communications Director or Finance Director should contact the providers that currently direct bill us and obtain actual cost projections. The projections should be evaluated by an industry professional who can attest to their validity. Cost should be justified as being exclusively E911 related and not supplementing the use of technology that is being used and marketed by the providers for all subscribers (i.e. location based services). All future invoices should be based on actual costs.

Response: Concur

I would like to present to the County Attorney's office and the Finance Director the findings of the above analysis. A letter should be drafted requesting a current cost justification (Billing Rate Projection). Additionally, we would request the provider state their methodology used to establish the Subscriber Count. The responses will be reviewed by industry experts to establish legitimacy. Our goal will be to have the letters sent to the providers by June 2012.



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