
CITY OF SAN ANTONIO

OFFICE OF THE CITY AUDITOR



Audit of the Finance Department
Right of Way Charges to Telecom Companies

Project No. AU15-009

January 18, 2017

Kevin W. Barthold, CPA, CIA, CISA
City Auditor

Executive Summary

As part of our annual Audit Plan approved by City Council, we conducted an audit of the Finance Department, specifically right of way (ROW) fees paid by telecom companies. The audit objectives, conclusions, and recommendations follow:

Determine if the Time Warner Cable and AT&T telecom providers are assigning customers to the correct municipality for the purpose of remitting telecom ROW fees to the City.

Yes, Time Warner Cable and AT&T are correctly assigning customers to the correct municipality for the purposes of remitting telecom ROW fees.

We reviewed customer addresses of the two divisions each of AT&T (Southwestern Bell Telephone Company and AT&T Communications of Texas, LLC) and of Time Warner Cable (Time Warner Cable and TW Telecom) for the fourth quarter of calendar year 2014. We tested them by mapping their customers' locations and comparing the actual city for those addresses against the city codes in the telecom providers' data. We found an insignificant number of errors. Thus, we determined that overall, Time Warner Cable and AT&T are correctly assigning customers to the correct municipality for the purposes of remitting telecom ROW fees.

As we had no findings, we make no recommendations and no management responses are required. The Finance Department Management's acknowledgement of this audit report is in Appendix B on page 5.

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Background

Texas Local Government code, Title 9, Subtitle A, Chapter 283 establishes a uniform method of compensating municipalities for use of rights-of-way (ROW) by telecom providers. This method is based on the number of access lines in use. An access line includes traditional telephone lines as well as VOIP, PBX, switched and non-switched lines, and lines used for burglar alarms. It does not include cell services. This statute is further refined via regulations in the Texas Administrative Code, Title 16, Part II, Chapter 26, Subchapter R.

The Public Utilities division of the Finance Department monitors and collects all rights-of-way compensation from certified telecommunication providers operating within the City limits. Oversight of these entities includes the assurance that they are in compliance with the laws, rules, and regulations established by state and federal agencies, and City Council policies.

The following table illustrates the line counts and ROW fees remitted to the City for the fourth quarter of 2014 by the two largest companies (two divisions each):

Telecom Providers	Telecom Line Counts			Fees Received
	CAT 1 ¹	CAT 2 ²	CAT 3 ³	
Southwestern Bell Telephone Company		95,996	594	\$ 1,683,349
Time Warner Cable	308,247	73,996	2,824	\$ 711,035
AT&T Communications of Texas, LLC	310,880	302,598	4,935	\$ 405,678
TW Telecom / Level 3 Communications ⁴		73,244	5,823	\$ 332,081

¹ Residential and burglar alarm lines

² Non-residential (business)

³ Non-burglar alarm point-to-point private lines

⁴ Level 3 Communications bought TW Telecom after the scope period.

Audit Scope and Methodology

The audit scope was from October 2014 through December 2014 and included four companies: two belonging to the AT&T group (Southwestern Bell Telephone Company and AT&T Communications of Texas, LLC) and two belonging to the Time Warner Cable group (TWC and TW Telecom). TW Telecom was acquired by Level 3 Communications after the scope period.

We interviewed staff of the Finance Department and the four telecom providers, reviewed preliminary documentation provided by each, and mapped the locations of service or billing addresses provided by each company using ArcMap software. Two of the companies provided customer addresses for the greater San Antonio metro area. One company provided the pass-by list (all potential customers) for the city of San Antonio (not the greater metro area), and one company provided the customer billing addresses for all of Texas for one billing subcontractor. We compared customer address-to-city mapping using ArcMap to address-to-city mapping provided by the telecom companies to determine exceptions and estimated error rates based on the type of information provided.

We did not rely upon any computer-processed data for this audit. Thus, no testing of general and application controls was required.

We conducted this performance audit in accordance with generally accepted government auditing standards. 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.


Audit Results and Recommendations

Overall, Southwestern Bell Telephone Company, AT&T Communications of Texas, LLC, Time Warner Cable, and TW Telecom assigned customers to the correct city for purposes of remitting ROW fees. Although each company made a few errors in the assignment of customers, they each had some customers that should have been assigned to San Antonio and weren't as well as some customers that should have been assigned to other cities but were assigned to San Antonio. These assignment errors were insignificant and largely offset each other in terms of impact to the City.

Appendix A – Staff Acknowledgement

Mark Bigler, CPA-Utah, CISA, CFE, Audit Manager
Susan Van Hoozer, CIA, CISA, Auditor in Charge
Dan Kuntzelman, Auditor

Appendix B – Management Acknowledgement



CITY OF SAN ANTONIO
SAN ANTONIO TEXAS 78283-3966

January 5, 201~~6~~7

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
San Antonio, Texas

RE: Management's Acknowledgement of its Review of Audit of Finance Department Right of Way Charges to Telecom Companies


The Finance Department has reviewed the audit report and provided its comments to the auditors. As there are no recommendations for management, no management responses are required.

Finance Department:

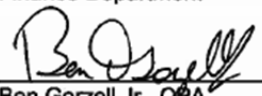
☒ Fully Agrees

☐ Does Not Agree (provide detailed comments)

Sincerely,


Troy Elliott, CPA
Deputy Chief Financial Officer
Finance Department

1/5/17
Date


Ben Gorzell Jr., CPA
Chief Financial Officer
City Manager's Office

1/6/2017
Date