

OFFICE OF AUDIT AND CONTROL
City of Albany



Utility Forensic Audit

November 2024

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Executive Summary

Background

The City of Albany (City) is responsible for managing a large portfolio of utility accounts. This includes 1,091 electric and gas accounts, seven solar accounts, 98 internet accounts, and 118 telephone and data accounts equivalent to 8,368 telephone and data lines. Currently, oversight of utility accounts and their associated usage and billing is decentralized. The large number of accounts coupled with the decentralized management of utility accounts increase the likelihood of pricing errors over-billing, obsolete services, and discrepancies in utility invoices, while optimizing saving

Employees across various departments share the responsibility of managing energy accounts whereas the City's Information Technology (IT) department manages internet and cellphone accounts, excluding accounts associated with the Albany Police Department (APD), which are managed by APD. A representative in the Office of Audit and Control (OAC) is responsible for processing utility billing for 1,123 utility accounts. OAC initiated this audit with the goal of finding utility savings by locating services that are not in use or obsolete. To conduct this audit, OAC contracted with Troy & Banks, a professional cost management and consulting firm specializing in solutions to reduce utility and telecommunication expenses.

Objectives

The audit was designed to achieve the following:

- Identify contract and regulatory/tax non-compliance
- Detect pricing errors, discount errors, tariff violations, and obsolete services
- Identify fraudulent charges on our billing
- Solicit and retain unclaimed refunds

Methodology

The following methods were conducted:

- Collected billing information and historical customer service records for Verizon and Verizon wireless accounts with the City, Spectrum Enterprise, First Light, and National Grid
- Conducted a thorough analysis of existing NYS contracts, tariffs, and pre-termination penalties to recommend better rates
- Investigated cost avoidance items and identified possible non-working lines for cancellation
- Completed orders for refunds and credit from Verizon, First Light, and National Grid

Findings

Based on Troy & Banks review of the City's First Light, Verizon, Verizon Wireless, Spectrum Enterprise and National Grid accounts, the OAC's key findings can be found below. A complete list of findings can be found in the full audit report submitted by Troy & Banks which is enclosed.

- Estimated annual savings, totaling \$254,000 were found
- A total of \$8,462 in tax violation credits were found with an estimated monthly savings in the amount of \$943.00
- Approximately, \$13,656 in tax refunds were found and filed with the IRS
- Monthly savings, totaling \$14,000 were found in First Light accounts
- A total of \$3,638 monthly savings were found in Verizon accounts
- For at least three months, during the audit period, Ninety-nine Verizon wireless lines were not in use
- A total of \$7,757 in credits were found due to National Grid accounts overbilling

TROY & BANKS REPORT

Troy & Banks want to extend heartfelt appreciation to the City of Albany for unwavering support during the recent utility forensic audit process. Your collaborative efforts have not only aided in the successful completion of the audit but also paved the way for sustainable cost savings. Thanks to the City of Albany for their invaluable contributions.

Audit Background

The City of Albany engaged Troy & Banks to conduct a comprehensive utility forensic audit aimed at identifying potential cost-saving opportunities and ensuring compliance with existing contracts and regulatory standards. The audit involved a detailed review of all accounts from the City's five key utility service providers: First Light, Verizon, Verizon Wireless, Spectrum Enterprise and National Grid. The primary objective was to address concerns related to over-billing, obsolete services, and discrepancies in utility invoices, while optimizing savings.

Leveraging our extensive industry expertise and advanced auditing methodologies, we meticulously analyzed each account to uncover billing errors, contract violations, and obsolete services that were no longer in use. Our collaborative approach with the City's representatives ensured transparency, accuracy, and alignment with the City's financial and operational goals. As a result, the audit not only achieved significant savings and refunds, but also laid the groundwork for sustainable future savings through improved utility management and strategic optimizations.

Audit Objectives

The primary objective of the audit was to identify cost reduction opportunities, eliminate billing errors, and ensure contract compliance across all utility services for the City of Albany. Our goal was to uncover overcharges, obsolete services, and discrepancies while recovering any eligible refunds and credits. Additionally, we aimed to optimize the City's utility infrastructure by recommending adjustments to existing plans, disconnecting nonworking lines, and negotiating better contract rates to achieve long-term cost efficiency and improved service quality.

Telecom Audit Methodology

The methodology was based on two core areas:

Refunds and Recovery

- Non-compliance research

- Contract non-compliance identification
- Regulatory tax non-compliance
- Over-charges investigation
 - Pricing errors
 - Discount errors
 - Tariff violations
 - Obsolete services identification
 - Historical incorrect orders
- Fraudulent charges
 - Identification of fraudulent chargers on bills like ghost calls, slamming, cramming
- Closed location identification
- Unclaimed refunds

Current and Future Savings

- Contract and tariff study
 - Analyzed existing rates and recommend better rates
 - Researched other aspects including pre-termination penalties, quality of service, and downtime
- Provisioning and optimization
 - Studied existing provisioning and requirements
 - Recommended the most appropriate services suited to the needs
 - Reduced costs and optimize the user experience
 - Investigated cost avoidance items

Energy Audit Methodology

Troy & Banks deployed a four-step process to complete the audit:

Collection of Billing Information

- Troy & Banks was provided with an invoice copy for each of the accounts that were to be audited

Ordering of Historical Customer Service Records

- Troy & Banks reached out to all vendors and requested historical billing records for each account

Detailed Audit

- Once billing records were received and the tariffs were reviewed, Troy & Banks audited each account. Examples of the items that have been evaluated for each account are as follows:
 - Incorrect monthly charges
 - Incorrect rate assignment
 - Alternate rate schedules
 - Abnormal demand reads
 - Abnormal usages
 - Multiple month billings
 - Applicable riders
 - Applicable credits or discounts
 - Incorrect deliver voltage levels and meter multipliers
 - Incorrect taxes

Claim Resolution and Future Savings Evaluation

- As incorrect billing items and opportunities for future savings were identified, claim letters were submitted to the appropriate vendors

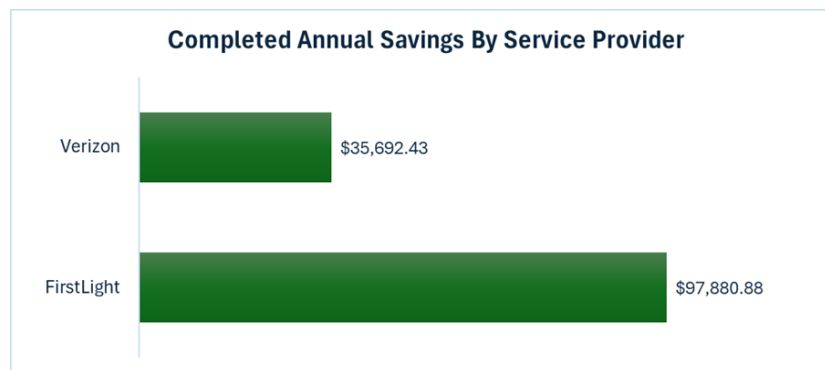
Findings Summary

Our audit showed a significant amount of savings by eliminating obsolete features, non-working lines, and services. Additionally, we discover mismatched contract rates by service providers and tax violations.

- Estimated annual savings of \$254,000 were suggested by the audit team, \$183,857 in annual savings recommendations were accepted
- Of the \$183,857 in annual savings accepted, \$133,569 in annual savings have been materialized through completed orders.
- The audit team is currently working on implementing approximately \$50,000 in annual savings for the City of Albany



Apart from annual savings we also successfully completed orders to refund \$28,134 for obsolete features, tax violations and mismatched contract rates and taxes.



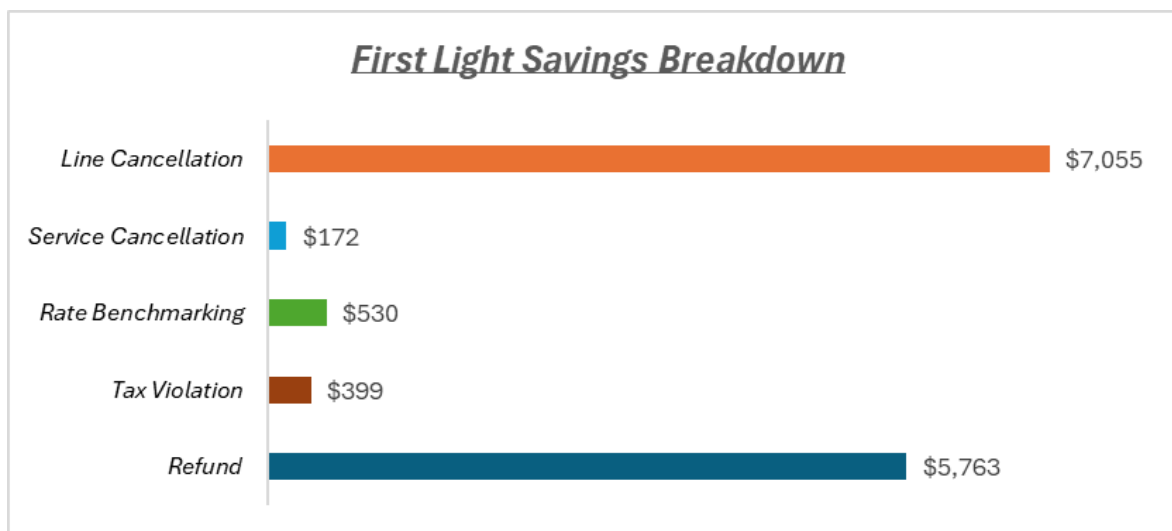
Findings and Recommendations by Service Providers

First Light

The audit team recommended monthly savings of approximately \$14,000 and our recommendation of \$9,410 was accepted. We have completed \$8,157 of monthly savings and \$5,764 in refunds.

- **Line Cancellation:** Following the procedure of dialing a number at different times, phone numbers were advised to be disconnected with the following calling remarks: "not in service," "busy tone," "blank after few rings," "no ring," etc. A total of 106 lines and circuits were approved for cancellation with an estimated monthly savings of \$7,055.
- **Service Cancellation:** Advised to remove obsolete features and services with an estimated monthly savings of \$172.
- **Rate Benchmarking:** The audit team suggest signing up for a low contract rate with estimated monthly payments of \$4,362 in savings. Orders for majority of approved recommendations are being processed.

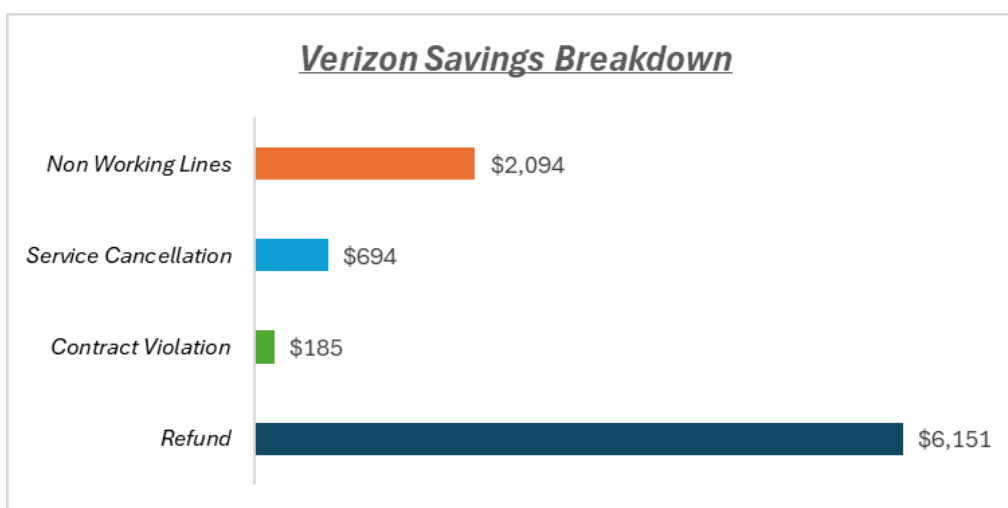
- Tax Violation: Violations were found in seven lines with estimated monthly savings of \$399.



Verizon

In total, \$3,638 monthly savings were suggested by the audit team and all recommendations were accepted. The total amount of completed orders will save the City \$2,974 monthly, while the remaining incomplete orders are being worked on. Furthermore, we successfully completed \$6,151 in refunds.

- Possible Non-Working Lines: Following the procedure of dialing a number at different times for suspected closed locations, phone numbers were advised to be disconnected with the following calling remarks: “busy tone”, “blank after few rings”, “not in service” etc. All recommendations were approved with an estimated monthly savings of \$2,094.
- Service Cancellation: Obsolete features were removed for lines identified as “in service” with an estimated monthly savings of \$694.
- Contract Violation: The audit team suggest a low contract rate with estimated monthly savings of \$185.



Verizon Wireless

In the audit process, 99 lines were identified not in use on the basis of the last three months' usage and all lines were recommended for cancellation. Also, 44 lines were recommended for plan change. One line (\$30.99) was approved for cancellation, and four lines were approved for plan change with a monthly savings of \$63 monthly. Orders for cancellation and plan changes are in process.

National Grid

We reviewed and analyzed all billings for accuracy of all accounts. After a thorough review of all accounts, we submitted six claims for high bill issues, of which two were approved for credits. Below is a summary of the findings:

- National Grid account A: was overbilled with an approved credit of \$965.
- National Grid account B: was overbilled twice with an approved credit of \$6,792.

Taxation

During the audit process, we also found tax credits in National Grid, First Light & Verizon accounts. A total of \$8,462 refund of tax credits were received. An additional \$13,657 of tax refunds were filed with the IRS (pending completion).

CONCLUSION

Troy & Banks was able to uncover an estimated annual savings of \$254,000 through their initial review of the City's utility accounts. After Troy & Banks presented the information to the City's administration, \$183,857 of annual savings were approved through canceling non-working lines and outdated services, updating rate changes, and auditing tax violations. To date, Troy & Banks' forensic audit has saved the City of Albany \$133,569, of the anticipated \$183,857, annually. Troy & Banks is currently completing additional orders for service cancelation and adjustments to contract rates. OAC recommends that the City conduct a utility forensic audit every five years to for continued sustainable savings through utility management and strategic optimizations.

APPENDIX:

DEPARTMENT OF ADMINISTRATIVE SERVICES RESPONSE



Kathy Sheehan Mayor

Commissioner
Ann Marie Salmon

To: Dr. Dorcey Applyrs, Chief City Auditor

From: Ann Marie Salmon, Commissioner of Administrative Services

Date: November 13, 2024

RE: Utility Forensic Audit

The Department of Administrative Services would like to thank the Chief City Auditor and her staff for their recent “Utility Forensic Audit” and the thoughtful recommendations contained within it. The audit has been reviewed by the Department of Administrative Services and IT Office.

Overall, we agree and accept the audit’s findings. A forensic audit can help organizations identify and correct billing errors, reduce costs, and improve data quality. Administrative Services has a very lean IT team of 8 employees, with an average employee-to-IT-worker ratio of 158:1 (far exceeding the average of 30:1 in other cities). The 8-person IT team monitors and manages over 2,200 IT assets. This highlights the team’s ability to deliver essential technology services while maximizing available resources.

Due to staffing levels, the IT team has many competing priorities and very little time to devote to achieving expertise in utility billing. Therefore, we are grateful for our partnership with the Office of Audit and Control on this forensic audit, which found approximately \$183,000 in annual savings. In order for the IT team to achieve the same amount of savings internally, we would need to staff a full-time employee, which would cost an estimated \$130,000 annually for salary, benefits, and equipment. The one-time fee we are paying Troy and Banks (approximately \$43,000 in 2024) is a good investment for our taxpayers compared to staffing a full time employee.

Below are some additional comments regarding the specific findings and recommendations contained in the audit report.

First Light

Administrative Services accepted most of the recommended savings on our First Light accounts. However, we are unable to disconnect some of the phone and fax numbers that are not actively in use. Most of the lines we cannot disconnect are backup 911 emergency communications telephone and fax lines. We need to maintain these redundant phone/fax lines in the event that the main VOIP phone system is down or otherwise unavailable. Paying for some redundancy to ensure seamless emergency 911, Police, and Fire operations is a cost we are willing to accept.

Verizon Wireless

Administrative Services was unable to accept the recommended plan changes on 40 Public Safety mobile phone plans. We acknowledge that the City is paying additional fees to have some Police and Fire mobile phones equipped with the Wireless Priority Service. This additional plan upgrade allows enhanced connectivity for Fire and Police during a crisis, such as a natural disaster or security crisis. The Wireless Priority Service lets first responders receive a higher priority for wireless voice service if phone lines are overwhelmed by volume. That way, Police and Fire personnel can have reliable communications during critical emergencies.

We acknowledge your finding that 99 mobile phone lines were not actively in use during the audit period. Again, most of these phones are for our Public Safety departments (63 of 99). We will continue to work with the Police Department, Fire Department, and other city offices to cancel unused mobile devices, while ensuring business continuity.

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CONTACT

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