



Telecommunications Audit Summary

July 11, 2014

SpyGlass

The SpyGlass Group, LLC – Confidential

Executive Summary

The SpyGlass Group, LLC was hired by The City of Manitowoc (Manitowoc) to perform an independent audit and analysis of its voice, data, and internet services for all of its locations. During the course of this audit, we performed the following work:

- Met with Manitowoc personnel to (a) identify the telecommunications and internet services that are in use by Manitowoc and the outside companies providing such services, and (b) gather copies of bills, contracts, and other necessary materials for the audit.
- Developed an inventory of all services that are being billed by Manitowoc's various telecommunications providers for each physical location involved with the audit.
- Compared the completed inventory with services currently in operational use by Manitowoc for purposes of identifying unnecessary and/or under-utilized services.
- Performed a scalability analysis on the services being provided based on Manitowoc's intended use of the services and its number of users.
- Compared the completed inventory with current contracts and tariffs for the purpose of identifying inconsistencies that could result in retroactive recoveries.
- Compared the billed rates of all services with current market-competitive rates for the purpose of identifying opportunities for savings opportunities unrelated to service elimination.
- Researched and developed recommendations for Manitowoc to cut costs going forward.

This audit and analysis has identified issues and developed recommendations that if fully implemented, will result in annual savings of up to **\$2,195.35** moving forward. Further, billing errors were also identified that may result in **retroactive credits** if addressed.

The purpose of this document is to recap the issues and recommendations discussed during our recent Summary of Findings presentation. In addition to this document, you have also received an Implementation Workbook. These two files are designed to work together to help assist you in your decision making process during this final stage of the audit. Everything we discussed in the presentation is described below with explicit detail included in the Implementation Workbook.

Tax Exemption Issues

Due to Manitowoc's organizational status, it is exempt from state/local and Federal Excise taxes on telecommunication services. However, we found that Manitowoc is being charged taxes on these services. We recommend working with Manitowoc's providers immediately to not only remove these taxes moving forward, but to also retroactively collect on these overcharges for the period of time these taxes have been assessed, up to three years. The exact amount of the **retroactive credit** will be determined by the carrier and will be based on the length of time these taxes have been assessed.

Annual savings opportunity: **\$260.88**

Unused Lines

We perform a thorough inbound and outbound usage analysis on all lines that are billed to our clients. This process involves examining recorded usage for all call types (Outbound local, outbound long distance, and toll free) as well as dialing each line number and documenting the results. This allows us, with close attention paid to the internal phone directories and published numbers, to make very educated conclusions as to whether or not a particular line is in use. After examining this documented usage, if a line does not have any outbound usage, is not answered when dialed, and does not appear in any directory, we will consider the line to be unused.

Through this analysis, we identified lines which meet the above criteria. We recommend evaluating the lines listed in the "Unused Lines" tab of the included workbook to determine their current business use. These are the lines that were highlighted in red during our presentation. We recommend removing any line that is confirmed through this evaluation to be unused and therefore unnecessary. This list is only to be used as a starting point. Often, not all lines listed will turn out to be unused even though they appear to be so from our analysis. We obviously recommend leaving these lines in place, however we may be able to bring alternative options to the table regarding these lines based on other services in place which can still result in savings.

Annual savings opportunity: **\$262.08**

Excessive or Unnecessary Lines

In addition to lines which we consider to be completely unused, we identified additional lines which we think are excessive or unnecessary and can be safely eliminated. Through our usage analysis, we found that these lines are functional in that they were either answered in some fashion when dialed or they had trace amounts of outbound usage. Based on other services in place, we feel that these lines are simply excessive or unnecessary and can be eliminated without any noticeable impact. These lines are listed in the "Excessive or Unnecessary Lines" tab of the included workbook and we recommend further investigation to determine if these lines are in fact excessive or unnecessary. These are the lines that were highlighted in yellow during our presentation. Some lines that appear to be excessive or unnecessary to us are often used for miscellaneous tasks such as elevator emergency lines or alarm lines. These lines will need to remain, however lines that are used for voice and fax machines should either be eliminated or ported over to the PRI service as DID (Direct Inward Dial) numbers if appropriate.

Annual savings opportunity: **\$532.08**

Inside Wire Maintenance

Inside wire maintenance service covers the physical wires beyond the demarcation point for any maintenance and repair that may be needed. The demarcation point is the point where the local phone carrier connects to a facility. The carrier is not responsible for anything past that point. We do not recommend wire maintenance unless the environment is one where wires have a chance to be physically damaged, such as an older building or a warehouse where the wires are exposed. In this case, Manitowoc has this service and we recommend evaluating its continued need due to the reasons mentioned above. If it is confirmed that inside wire maintenance is unnecessary, we recommend the removal of the service.

Annual savings opportunity: **\$27.84**

Long Distance

SpyGlass performs a comprehensive analysis on long distance services. This analysis is designed to ensure that the relationship between the local accounts and long distance accounts are structured properly, billing correctly, absent of excessive fees, and billing at market-competitive rates. This analysis consists of the following:

PIC and Reverse PIC Analysis: PIC is an acronym for Primary Inter-exchange Carrier and is simply the carrier that is assigned to provide service for local toll and long distance calls. SpyGlass performs an analysis on both the local accounts and the long distance accounts to make certain these are configured properly. Incorrect PIC designation can be indicative of many problems, including “Slamming” and other excessive billing situations. The PIC and reverse-PIC analysis also determines if the local and long distance accounts are in sync with each other. The PIC analysis identifies the local toll and long distance carrier that is assigned to each of the lines from the local provider’s perspective and the reverse PIC analysis focuses on the long distance accounts to ensure all of the lines listed on the long distance account are actually owned by Manitowoc. If there are numbers on the long distance account that are not owned by Manitowoc, it creates an environment that could contain excessive fees or in more serious cases, result in Manitowoc paying for long distance calls that do not belong to you.

Rate and Fee Analysis: All usage from Manitowoc’s long distance accounts is evaluated to determine the overall per-minute rate and to make certain the fee structure is not excessive. SpyGlass first compares these rates against the contracted rates to determine if there is any discrepancy which can create the opportunity for retroactive credit. We then compare the actual rate received against the commercially available rates offered by competitive carriers in the market to determine if Manitowoc is on the most cost economical plan available in each of the service territories. If either of these two exercises reveals any issues, SpyGlass will recommend steps to correct them with the ultimate goal of reducing the overall long distance costs.

Recommendation: In this case, we identified two primary areas of concern: The usage is billing at excessive rates and the accounts are assessing unnecessary line and account fees. To address these issues, we recommend working with CenturyLink and AT&T to reduce the rates to competitive levels for all call types and to eliminate all fees. As part of this audit, we will perform these negotiations and research to determine the best option in terms of pricing and ease of implementation.

Annual savings opportunity: **\$341.64**

Pots to Centrex Conversion

Recommendation: Reach out to AT&T and secure new rates for either converting the out of contract lines to Centrex or adding a new POTs agreement to net savings.

Annual savings opportunity: **\$519.48**

Next Steps

As part of this audit and at no additional cost, SpyGlass performs all desired implementation activity that is desired by the client. In order to perform the appropriate actions on behalf of Manitowoc, the following actions are required:

- **Client Review** – SpyGlass has identified issues in this document that will provide savings for Manitowoc. Manitowoc now needs to carefully review these recommendations and decide on which items Spyglass should implement.
- **Implementation Meeting** – Once Manitowoc has determined which items to implement, an in-person meeting or conference call will take place between Manitowoc and SpyGlass to review the items to be implemented.
- **Implementation** – SpyGlass will implement all recommendations that have been determined by Manitowoc and provide full written documentation of these actions upon their completion.
- **Payment** – Once implementation is complete, SpyGlass will issue invoice(s) for the items that have been completed.