

# Seattle City Light Billable Pole Attachments and Pole Replacements Audit

October 30, 2020

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# Seattle City Light Billable Pole Attachments and Pole Replacements Audit

## Report Highlights

### Background

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Pole attachments are devices attached to utility poles and other structures that enable the public to communicate using cell phones, telephones, the internet, and cable television. Seattle City Light (City Light) currently has more than 90 active customers including schools, cities, government agencies, and various telecommunication companies and other private parties that rent space from City Light on poles and towers for their attachments. City Light also replaces poles as a result of decay, damage, or natural disaster. Joint owners of poles with City Light share in the costs of pole replacement. Annual revenues from City Light's pole attachments and pole replacements together totaled about \$5.9 million in 2019. City Light management expects that a much higher number of wireless pole attachments will be installed when 5G technology is deployed in Seattle, which should significantly increase pole attachment billing revenues.

### What We Found

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City Light's billings for pole attachments and pole replacements were, in general, accurate and complete. However, we identified internal controls over billing, payment collection, and user access to major software applications that were either lacking or need to be strengthened.

### Recommendations

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This audit makes 13 recommendations to improve internal controls for pole attachment and pole replacement billings. We recommend that City Light establish formal written policies and procedures, and design and implement additional controls. We also recommend that City Light implement a strategy to settle a large outstanding customer debt.

### Department Response

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City Light concurred with all thirteen recommendations. City Light's response to each of our recommendations is provided in Appendix A.



### WHY WE DID THIS AUDIT

We conducted this audit because this ancillary operation of City Light had not been audited in the last several years. Our audit objectives were to determine whether adequate controls were in place to help ensure the accuracy, completeness, and timeliness of billing and the timeliness of payment collection. We also examined user access controls to systems that support the billing functions.

### HOW WE DID THIS AUDIT

To accomplish the audit's objectives, we:

- Documented processes related to pole attachments and pole replacements;
- Identified controls for each process;
- Conducted interviews with City Light personnel;
- Reviewed documentation in support of our objectives.

### Seattle Office of City Auditor

David G. Jones, City Auditor  
[www.seattle.gov/cityauditor](http://www.seattle.gov/cityauditor)

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## INTRODUCTION

### Audit Overview

**Seattle City Light receives several million dollars every year through joint use agreements with entities that attach equipment to its utility poles.** To manage these attachment assets properly, Seattle City Light (City Light) has systems to track the number and type of billable attachments and track billable pole replacements. In this audit, we examined City Light's internal billing and payment collection process for wireless and wireline pole attachments and pole replacements. We designed and implemented a series of audit tests to determine the accuracy, completeness, and timeliness of billing and payment collection, and the adequacy of user access controls on systems used to meet those objectives.

### Background

**City Light rents space on utility poles, towers, and other structures to customers that own the attachments.** Pole attachments include wire cable<sup>1</sup> and other devices such as wireless small cell antennas, DAS (distributed antenna systems), AMI (automated meter reading devices) and other types of devices that enable people to communicate using cell phones, telephones, cable television, and the internet. City Light has about 90 pole attachment customers that include schools, government agencies, telecommunication companies, and other private parties. See Exhibit 1 below.

#### Exhibit 1: A Communication Tower with Wireless Attachments



Photo: Office of City Auditor

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<sup>1</sup>A cable is an insulated wire or wires having a protective casing and used for transmitting electricity or telecommunication signals.

**Customers rent space for their attachments on poles and pay an annual fee to City Light.** *Wireline* attachments are communications cables attached between two poles that run a span of successive poles for long distances. *Wireless* attachments are standalone devices that are mounted to poles, transmission towers, and communication towers. Annual rates for wireline attachments are established for a three-year period by City of Seattle ordinance, while annual rates for wireless attachments are negotiated between City Light and pole attachment renters. The contract term for wireline attachments is five years. The contract term for wireless attachments is also five years, but renewable up to three additional five-year periods. Annual revenues from wireless and wireline attachments for 2019 were about \$5.4 million.

Over time, utility poles need replacement due to decay or damage, or must be moved because of system work or construction. City Light recoups a portion of the cost of replacing and moving utility poles from joint pole owners, who own an interest in each pole with City Light. In 2019, City Light received about \$460,000 from joint pole owners to help recover these costs.

## TIMELINESS AND ACCURACY OF BILLING DATA

### Section Summary

We found several areas where internal control deficiencies related to billing, such as delays in City Light permitting, may have a negative impact on timely revenue collection for wireline attachments. We also found that the methods City Light used in past wireline attachment billing calculations contained a high number of errors. Another area at risk is the pole replacement cost calculation, which needs additional controls to help ensure billing accuracy and completeness.

### Wireline Billing

#### Unnecessary Lag in Issuing Wireline Attachment Permits Can Delay Billing

##### **Delays in City Light permitting may lead to missed opportunities in the timeliness of billing wireline attachments.**

After the customer's application for permitting a wireline attachment is approved, the pole is first engineered<sup>2</sup> to provide the required spacing for the attachment. Once the engineering is complete, the permit is ready to be approved by City Light Joint Use management allowing the customer to attach a device. The customer is billed for the entire year the permit is approved. A spreadsheet using data from an application known as Poleman is maintained by Joint Use engineers to track the application process through the issuance of the permit.

We filtered a spreadsheet of customer applications to identify wireline attachment permits that were not yet issued. Then we calculated the number of days between the date of our testing (March 31, 2020) and the date the attachment became eligible for permitting, which is the engineering completion date. We found 30 applications for 435 poles for which wireline permits had not yet been issued with an average of 523 days since the engineering completion date. We estimated the annual revenue from these 30 applications to be about \$6,800 in 2019. Of the 435 poles not permitted, about 78 percent are noted in Poleman as being held for the Seattle Department of Transportation (SDOT) to move their equipment on the poles to provide space for other attachments. Reducing the time it takes to issue permits would allow City Light to bill sooner to start generating revenues in an earlier billing cycle.

Documentation as to the cause of the delays in issuing the permits was unavailable when we requested it from Joint Use Engineering.

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<sup>2</sup> The process for engineering the pole is referred to at City Light as "make-ready-work."

Without documented follow-up into the reasons for wireline pole attachment permit delays, it will be difficult for City Light management to issue such permits timely and delays in permitting are likely to continue. This condition may push opportunities for generating revenue into future billing cycles.

**Recommendation 1**

**City Light should establish target permit issuance timelines for wireline pole attachments, monitor performance against those targets, and identify and address issues that may be inhibiting its ability to achieve them.**

**Data Entry Methods Increase Risk of Inaccurate Wireline Bills**

**City Light’s methods for calculating wireline bills involves a high number of manual entries, increasing the risk of inaccurate bills for wireline customers.** Wireline customers receive a bill from City Light through its General Accounting Accounts Receivable Billing Unit (ARBI). The accuracy of ARBI’s billing depends on the accurate calculation of billing data from other units within City Light known as Asset Data Services (ADS) and Joint Use, both which are part of the Asset Management Division. The exhibit below summarizes the key steps taken by ADS and Joint Use to generate the list of customers to bill and the billing calculations, and illustrates the risks associated with each step for the billing of wireline customers.

**Exhibit 2: Manual Data Steps May Introduce Wireline Attachment Billing Errors**

	<b>Activity</b>	<b>Why this is done</b>	<b>Risk of error because of a manual data entry process</b>
<b>Step 1</b>	Asset Data Services downloads wireline attachment data from City Light’s Work and Asset Management system (WAMS) into Excel.	Creates a table of wireline attachments and customers.	Medium
<b>Step 2</b>	A Joint Use engineering aide filters the data and generates an Excel pivot table of the data, grouped by each customer and by the percentage of City Light’s ownership interest in each pole. Filters are incorporated within the pivot table to filter out non-billable wireline attachments.	Allows calculation of charges in the next step by multiplying grouped data times price.	Medium
<b>Step 3</b>	Results from the pivot table are manually input by the engineering aide into a master billing Excel spreadsheet. The pricing is updated in formula cells for each annual billing.	Generates the billed amount for each customer on a master billing spreadsheet.	High
<b>Step 4</b>	The spreadsheet is emailed to the Accounts Receivable Billing Unit.	Provides the necessary information to generate a billing for each customer.	Low

Source: Office of City Auditor analysis.

**A lack of an independent review by City Light management led to errors in the 2018 annual wireline billing.** We tested the billing accuracy and completeness of wireline billings by recalculating the annual billing for 2018 and 2019 and comparing our results to City Light's calculations. For 2018, we calculated an aggregate *over billing* by City Light of about \$49,000, while for 2019, our calculation difference was immaterial. According to the Joint Use Engineering aide, management does not review the billing calculations before they are sent to General Accounting for invoicing.

## Recommendation 2

**City Light should design and implement written management approved policies and procedures covering the preparation of wireline billing, including the implementation of controls to help ensure the accuracy and completeness of wireline billing.**

## Pole Replacement

### **Pole Replacement Billing Calculations Should Be Independently Reviewed**

**Seattle City Light needs to strengthen controls to help ensure the accuracy and completeness of pole replacement billing.** City Light owns many poles jointly with other entities and the terms and conditions for cost sharing of these poles are specified in contract agreements. If a pole needs to be replaced because of deterioration, damage, or weather-related incidents, City Light replaces the pole and then charges the joint owner for the cost of replacement in proportion to their ownership interest. Between 2017 and 2019, City Light billed joint pole owners about \$1 million.

To determine the billing amount for pole replacements, a City Light engineering aide reviews a technical engineering drawing showing the number and sizes of all poles replaced for a project, and the percent of the costs to bill each joint pole owner. The aide then refers to a pricing sheet reflecting the various costs of replacement commensurate with costs agreed to in the most recent contract.<sup>3</sup> Joint Facility Notifications (JFN's) are then prepared by the aide detailing the charges to each joint pole owner in preparation for the customer billing. In some cases, JFN charges have been as high as about \$50,000 involving large projects, which increases the impact of billing omissions and inaccuracies.

We found that JFN calculations are prepared by one individual in each of City Light's service centers with no independent review before generation of the final customer billing. The costs of pole replacement increased significantly as a result of recent contract re-

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<sup>3</sup> Such contracts are re-negotiated periodically to reflect increases in labor and material costs.

negotiations with joint pole owners, thereby increasing the impact of billing errors.<sup>4</sup>

**Recommendation 3**

**City Light should design and implement internal controls that address the risk of inaccurate joint facility notification billing calculations for pole replacements, including the risk of billing omission errors on large projects.**

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<sup>4</sup> Amendment No. 4 to the General Agreement for Joint Use of Poles between City of Seattle, City Light Department and CenturyLink Corporation (formerly QWEST Corporation) and King County-Metro Transit Department.

## TIMELINESS OF BILLING AND PAYMENT COLLECTIONS

### Section Summary

In this section, we note some concerns regarding the timeliness of billing and the timely application of payments. Payments that have not been identified and applied to outstanding invoices in a timely way increase the risk of omitted or inaccurate billings.

### Wireless and Wireline Billing

#### City Light Needs to Apply Prepayments Earlier

**The timely application of prepayments helps detect and identify omitted and delinquent billings.** City Light management expects that all customer payments will be identified and applied to outstanding billings in a timely manner. City Light often receives customer payments in advance of creating bills that apply to such payments, particularly with wireless attachment customers that pay their annual attachment billings close to the beginning of the calendar year. General Accounting's ARBI unit posts *prepayments* to the customer's account, which reduces the overall balance but is not linked to any outstanding billing. ARBI also records the prepayments on an Excel spreadsheet for tracking and follow-up to ensure future application to outstanding billings. This Excel spreadsheet is titled "Aging Report for Unapplied Prepayments" and ages the prepayments into 30-day groups.

We obtained this report<sup>5</sup> as of December 31, 2019. About 36 percent of the prepayments, or \$702,000, remained unapplied at 120 days of receiving such payments. This could be caused by several factors, for example: (1) difficulty in applying the prepayment because of lack of documentation from the customer;<sup>6</sup> (2) payments received before billings are created and posted to the customer's account; (3) billings that are omitted by City Light in error; (4) the lack of management oversight in ensuring that such prepayments are timely applied; and (5) payments received from new customers before an account is set up in PeopleSoft, City Light's financial system of record. Without timely application of prepayments, the invoice(s) designated by the customer for payment would appear to be unpaid, when in fact it is not.

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<sup>5</sup> Unapplied prepayments refer to payments received that have not yet been applied (matched) to specific outstanding billings. Because such payments are posted to the customer's account, they reduce the overall balance owed.

<sup>6</sup> City Light General Accounting often enlists the help of Joint Use personnel who deal directly with pole attachment customers to determine the appropriate application of payments.

In other circumstances, payments may reflect a needed customer invoice adjustment that will only come to the attention of City Light after the prepayment is applied.

**Recommendation 4**

**City Light management should take steps to eliminate or minimize the causes of unapplied prepayments.**

**Recommendation 5**

**City Light management should monitor the prepayment aging report to help ensure prepayments are applied timely.**

**Timely Updates of Data Fields Could Help Ensure Timely Collection of Past Due Invoices**

**We found additional areas that City Light General Accounting should address to help ensure that receivables from past due invoices for wireless and wireline customers are collected on time.**<sup>7</sup> City Light requires that pole attachments and pole replacements are paid within 30 days from the invoice date. As a matter of procedure, City Light's General Accounting updates a field in PeopleSoft, flagging past due invoices for third party collection when the amount owing from a customer is 90 days past due. A report of these past due invoices is generated from PeopleSoft and reviewed by General Accounting staff, who designate which accounts should be collected by third parties. Next, the report is sent to the City of Seattle's Department of Finance and Administrative Services (FAS) that reviews the report before forwarding it to third party collection.<sup>8</sup> Delinquent invoices under \$10,000 are collected by a specific collection agency, while invoices of \$10,000 or more are collected by the Seattle City Attorney's Office.

We obtained an accounts receivable aging report showing outstanding balances 90 days or more past due that had *not* been flagged for collection as of December 31, 2019. We calculated the number of days with no third-party collection designation through December 31, 2019. After exempting certain invoices not subject to third party collection, we found that nine invoices billed to various customers in the aggregate amount of about \$120,000 were not marked for collection. For these cases, the average number of days between 90 days past the due date and December 31, 2019 was 510. This is well beyond the 90 days past the due date and increases the risk that some outstanding balances will never be collected.

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<sup>7</sup> City Light policy exempts all joint pole owners from third party collection.

<sup>8</sup> Pole attachment customers are exempt if (1) approved payment arrangements with City Light are made; (2) they are government agencies, either within the City of Seattle or an external government entity; (3) the customer disputes the amount billed.

We also selected a sample of billings and calculated the number of days between the invoice due date and the date the account *was* noted for collection on the accounts receivables aging report. We found nine invoices totaling about \$87,000 that were not noted for collection until 200 days or more from the invoice due date, with an average of 547 days late. This condition also increases the risk of non-collection.

### Recommendation 6

**To help ensure that past due pole attachment and pole replacement billings are collected in a timely manner, City Light should implement written management approved policies and procedures for the collection of delinquent accounts and monitor the timeliness of collections.**

### Recommendation 7

**City Light management should document and implement billing timeliness requirements for pole attachment and replacement customers and monitor those timelines.**

### Many Joint Pole Replacement Billings Are Not Sent Timely

**City Light does not have the framework necessary to ensure that joint pole replacement billings are sent timely.** City Light management's expectation is that all pole replacement billings are sent timely. However, we found there was a substantial delay between the date the joint facility notification (JFN) was prepared by an engineering aide and the date that the JFN was processed by City Light General Accounting as a customer billing. Our review of billing data from 2018 and 2019 showed that 569 billings were created in these two years with an average number of days from preparation of the JFN to the date of the actual invoice being 464 days. City Light is required to present a billing to joint pole owners within 30 days of completion of pole replacement work.<sup>9</sup>

### Recommendation 8

**City Light should create and implement written management-approved policies and procedures governing the timeliness of joint pole replacement billing.**

### City Light Lacks a Plan for Recovering Delinquent Payments

**Several million dollars owed to City Light between 2015 and 2019 have not been collected.** We reviewed the JFN billing report, which includes the tracking of unpaid JFN billings, and found one joint pole owner with a delinquent balance of about \$3 million dollars as of December 31, 2018. City Light could not provide us with definitive plans to address this delinquency. For a sense of the

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<sup>9</sup> "General Agreement for the Joint Use of Poles Washington Between the City of Seattle Light Department and Pacific Northwest Bell Telephone Company and Municipality of Metropolitan Seattle", Article 20.

financial risk this could pose, nearly 91 percent of City Light's 108,000 active poles are jointly owned with this joint pole owner.

**Recommendation 9**

**City Light management should make every effort to settle the past due joint pole delinquent balance of about \$3 million as soon as possible.**

## ACCURACY AND COMPLETENESS OF BILLING DATA

### Section Summary

**City Light needs to improve its controls over the key systems used for billing of pole attachments and pole replacements.** The major systems are (1) the work and asset management system (WAMS), which is used to record wireline attachments as well as the names and ownership percentages of joint pole owners; (2) PeopleSoft, City Light's financial system of record used to create customer invoicing, and (3) the City Light AntTracker database, which is an Access database developed in-house by City Light about ten years ago and is used to record wireless attachments and other data as well as the calculation of wireless pole attachment billings. We identified issues with each of these systems relating to accuracy, completeness, and data integrity.

### City Light Needs to Develop a Methodology for Aligning its Pole Attachment Inventory Balances

**City Light needs to align its billable wireline and wireless pole attachment inventories' book and physical counts to help ensure all billable attachments are accounted for.** Wireline billable attachments are recorded in WAMS while wireless billable attachments are recorded in AntTracker. According to City Light officials, no physical counts of pole attachments have occurred since 2009. City Light has a provision in its wireline customer contracts that, if enforced, would improve the accuracy of wireline pole attachment inventory recorded in WAMS. According to the Master Pole Attachment Agreement (MPAA), wireline customers are required to annually document and provide City Light with their complete inventory of wireline attachments.<sup>10</sup> The contract also provides an option for City Light to conduct a wireline inventory instead and recover all costs of doing so from customers. However, Joint Use management does not enforce this contract provision, thereby limiting assurance that wireline attachments are accurately and completely recorded in WAMS.

A physical count of both wireline and wireless pole attachments would help identify attachments made without City Light's approval. City Light engineers informed us they have found such unauthorized attachments during pole replacement projects. Any revenue losses from unauthorized attachments will continue into future years until discovered by City Light.<sup>11</sup> City Light could not provide us with an alternative method for aligning the physical count to its book

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<sup>10</sup> There is no such provision in wireless attachment agreements.

<sup>11</sup> The MPAA contract provides for billing 5 times the annual billing amount for unauthorized attachments.

inventory. We discussed with City Light management a method that would help maintain an accurate book balance by manually re-computing the billable ending book balances in WAMS and AntTracker and comparing the result to the ending billable balances as shown in those two systems. Any differences could then be investigated, and appropriate corrections made as necessary.<sup>12 13</sup>

## Recommendation 10

**To help ensure the accuracy and completeness of pole attachment inventories recorded in WAMS and AntTracker, City Light management should design and implement a methodology to accurately and completely record its billable pole attachments.**

### **City Light Needs to Strengthen Controls Over User Access to Protect Billing Data.**

**City Light is not adequately safeguarding user access to PeopleSoft, its financial system of record.** We found that City Light could strengthen access controls to help ensure that PeopleSoft is adequately protected from unauthorized user access. We chose a judgmental sample of fifteen City Light employees to determine whether they had been approved by management to perform the following billing adjustment functions: (1) approving journal entries; (2) approving the write-down of receivables; and (3) approving credit invoices.<sup>14</sup> Each of these three activities are assigned to one or more profiles in PeopleSoft. We examined a sample of hard copy PeopleSoft user security request forms, which document profiles authorized by management.

We found no written evidence of unauthorized profiles for any of the 15 employees tested in our sample. However, user access forms for nine employees, or 60% of the sample, could not be located by City Light and therefore could not be tested. This resulted in only six of the 15 employees tested with profiles authorized in writing by management. The City of Seattle policy requires regular reviews by management of existing user access recorded in all City applications as a control to help ensure all current application users have

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<sup>12</sup> While it does not take physical inventory into account, this method would detect system input errors for the year being tested. Ending book inventory would be computed as beginning of the year billable book inventory, then, using relevant documentation, add new billable attachments and subtract billable retirements in accordance with recording conventions for additions and retirements used by Joint Use.

<sup>13</sup> For book purposes, *wireline* attachments are considered added for the entire year in the year the permits are approved. *Wireless* attachments, however, are considered added 180 days beyond receipt of the customer application for attachments.

<sup>14</sup> Users with one or more of these user rights that are not approved by management increase the risk of fraudulent manipulation of receivable balance.

authorized access.<sup>15</sup> Periodic reviews of user access mitigates the risk of unauthorized changes to accounting data.

## Recommendation 11

**City Light should require the PeopleSoft Security Coordinator to monitor management’s compliance with City policy regarding management reviews.**

**City Light is not adequately safeguarding access to WAMS, its asset recording system of record.** Certain data in City Light’s work and asset management system (WAMS) may be at risk because City Light is not adequately safeguarding access to the system. The ability to edit data in WAMS is controlled by City Light management’s written authorization of user access, as evidenced by a completed user access request form. The level of such access is restricted to the user’s needs. The user is assigned one or more profiles in WAMS that define certain allowed work activities.

Two City Light employees from the Generation, Operations, and Engineering unit serve as City Light’s WAMS Security Coordinators and are responsible for configuring management approved profiles in WAMS to allow access. At the time of this audit, hard copy employee access forms were used for both new additions and terminations.<sup>16</sup>

City policy<sup>17</sup> requires a periodic review of user access and their assigned profiles to ensure all employee profile assignments are accurate and management approved. However, WAMS Security Coordinators were not aware whether all managers who approve WAMS users were in compliance with the policy.

## Recommendation 12

**City Light management should require the WAMS Security Coordinators to monitor management’s compliance with City policy regarding periodic reviews.**

**City Light is not adequately safeguarding access to AntTracker, the system used to record wireless attachments.** The AntTracker database is the source system used for billing wireless pole attachments. AntTracker is a Microsoft Access database that was designed and implemented about ten years ago, in-house by the City Light Wireless Manager. According to the Wireless Manager, he has

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<sup>15</sup> City of Seattle “Information Systems Security Policy”, GUI112B.

<sup>16</sup> At the time of our testing, City Light had just converted to an electronic system of approval to replace use of the hard copy forms.

<sup>17</sup> City of Seattle “Information Systems Security Policy”, GUI112B.

complete responsibility to enter and update data in the database. with one person in Joint Use designated as a backup.

The AntTracker program resides on a drive accessible to all Joint Use personnel. However, the Wireless Manager was unaware as to whether the AntTracker database could restrict users to read-only access who are not authorized to add or update records. The inability to restrict such users would leave the AntTracker system vulnerable to unauthorized usage.

**Recommendation 13**

**City Light management should design and implement appropriate security measures for the AntTracker system to help ensure only authorized users have read-write access.**

## OBJECTIVES, SCOPE, AND METHODOLOGY

### Objectives

Our objectives for this audit were as follows:

1. Determine if controls over billings of pole attachments and pole replacements are adequate to help ensure their accuracy, completeness, and timeliness;
2. Determine whether controls are adequate to help ensure that payments for pole attachments and pole replacements are received timely;
3. Determine whether user access to key software systems used in pole attachment and pole replacement billing is adequately controlled to maintain data integrity.

### Scope

We performed process reviews and testing in the following areas that included years 2017-2019, including:

- Billing and revenue collection processes for both wireless and wireline attachments;
- Billing of shared costs to joint pole owners when City Light replaces poles;
- Timeliness of customer payments in 2019;
- User access security relating to Work Asset and Management System (WAMS), PeopleSoft, and AntTracker.

### Methodology

- We documented details of the billing and payment collection processes and related internal controls for pole attachments and pole replacements;
- We interviewed City Light management and operations personnel;
- We collected and reviewed documents relevant to our audit objectives including customer contracts, procedural instructions, and internal reports;
- We performed tests of key processes to determine if key audit objectives were met;
- We toured a few wireless and wireline attachments, accompanied by City Light personnel.

We conducted this performance audit in accordance with generally accepted government auditing standards, except for our reliance on non-verified computer data. 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.

We used the judgmental method to determine the samples selected for our audit test work. The results of this work cannot be projected to the population as we did not select a random sample.

## APPENDIX A

### List of Recommendations and Department Response

**Recommendation 1: City Light should establish target permit issuance timelines for wireline pole attachments, monitor performance against those targets, and identify and address issues that may be inhibiting its ability to achieve them.**

**SCL Concurrence:** Concur

**SCL Responsible Owner:** Steve Crume

**SCL Management Response:** City Light agrees that establishing targets and using performance measures to drive process improvement is best practice and will incorporate these improvements as resources become available (current staffing shortages and a hiring freeze coupled with high demand for new attachments associated with the roll-out of 5G may delay the improvements in the short term).

**Recommendation 2: City Light should design and implement written management approved policies and procedures covering the preparation of wireline billing, including the implementation of controls to help ensure the accuracy and completeness of wireline billing.**

**SCL Concurrence:** Concur

**SCL Responsible Owner:** Steve Crume

**SCL Management Response:** City Light will update DPP III-804 in conjunction with a process change for wireline. This work will commence after completion of a Q2 2021 lessons learned exercise from the Comcast pilot described in Recommendation #1. In the interim, Joint Use will implement a management review of all data before annual billings are issued.

**Recommendation 3: City Light should design and implement internal controls that address the risk of inaccurate joint facility notification billing calculations for pole replacements and decrease the risk of billing omission errors on large projects.**

**SCL Concurrence:** Concur

**SCL Responsible Owner:** Allan Hall

**SCL Management Response:** City Light will include control requirements in its redesign of procedures for joint-owned (JFN) pole costs that is in process and noted in Response #2. These written procedures will be approved by management.

**Recommendation 4: City Light management should take steps to eliminate or minimize the causes of unapplied prepayments.**

**SCL Concurrence:** Concur

**SCL Responsible Owner:** Fernando Estudillo/Rose Nguyen

**SCL Management Response:** City Light agrees that the specific aged amounts cited that these items from repeat customers were much older than 120 days, most of it dating back into prior years. It is important that we clear up these difficult to research records from prior years. Our observation is that

for the other prepayment dollars the vast majority are aged less than 30 days indicating that our processes are generally effective. Refer to action and timeline in Recommendation 5.

**Recommendation 5: City Light management should monitor the prepayment aging report to help ensure prepayments are applied timely.**

**SCL Concurrence:** Concur

**SCL Responsible Owner:** Fernando Estudillo/Rose Nguyen

**SCL Management Response:** City Light agrees with the recommendation. An existing quarterly report that is circulated to two levels of Joint Use (J/U) management will highlight the prepayment aging and include details of any items unapplied > 60 days. Joint Use staff will work with Accounting on the list of aged items to research and correctly apply these items by before year-end 2020. The J/U report will be included with the existing quarterly report of all Sundry A/R that is circulated to two levels of Financial management.

**Recommendation 6: To help ensure that past due pole attachment and pole replacement billings are collected in a timely manner, City Light should implement written management approved policies and procedures for the collection of delinquent accounts.**

**SCL Concurrence:** Concur

**SCL Responsible Owner:** Fernando Estudillo/Rose Nguyen

**SCL Management Response:** City Light agrees with the auditor's recommendation. Working within new procedures required by FAS Treasury and the PeopleSoft system has required adaptation by all. We will communicate the written policies and procedures to stakeholders within the next few months. For informational purposes, 5 of 9 invoices noted by the auditor totaling \$117K as of Dec 31, 2019, were paid in April 2020. The other 4 samples had immaterial balances.

**Recommendation 7: City Light management should document and implement billing timeliness requirements for pole attachment and replacement customers and monitor those timelines.**

**SCL Concurrence:** Concur

**SCL Responsible Owner:** Fernando Estudillo/Rose Nguyen

**SCL Management Response:** City Light agrees with the recommendation and will develop expectations and tracking around billing timelines. AR aging data and collection status reports will be developed as part of the reporting enhancements described in management's response to recommendation #5.

**Recommendation 8: City Light should create and implement written management-approved policies and procedures governing the timeliness of joint pole replacement billing.**

**SCL Concurrence:** Concur

**SCL Responsible Owner:** Allan Hall

**SCL Management Response:** City Light will include timeliness requirements in its redesign of procedures for joint-owned (JFN) pole costs that is in process and noted in Response #2. These written procedures will be approved by management.

**Recommendation 9: City Light management should make every effort to settle the past due joint pole delinquent balance of about \$3 million as soon as possible.**

**SCL Concurrence:** Concur

**SCL Responsible Owner:** Mike Simmonds/Steve Crume/Allan Hall

**SCL Management Response:** City Light is actively pursuing settlement of this delinquent balance. There is one major pole co-owner with a delinquent balance and from 2015-2019 they paid \$4.8 million in billed JFN costs. City Light representatives have been meeting monthly with this major co-owner on the unpaid bills and these talks will continue with the goal to accelerate payment. We expect that underlying billing procedures will be modified and that updates to the General Agreement (1980) will be negotiated by both parties. Other options to enforce collection may be pursued.

**Recommendation 10: To help ensure the accuracy and completeness of pole attachment inventories recorded in WAMS and AntTracker, City Light management should design and implement a methodology to accurately and completely record its billable pole attachments.**

**SCL Concurrence:** Concur

**SCL Responsible Owner:** Steve Crume

**SCL Management Response:** City Light will pursue implementing a methodology to inventory pole attachments and reconcile records, as well as a mechanism for funding this work. We estimate that developing robust attachment inventories would be a significant O&M expense, approximately \$2 million to complete.

**Recommendation 11: City Light should require the PeopleSoft Security Coordinator to monitor management's compliance with City policy regarding management reviews.**

**SCL Concurrence:** Concur

**SCL Responsible Owner:** Fernando Estudillo/Tenzin Ghongpa

**SCL Management Response:** An improved process for manager review of PeopleSoft access forms was implemented April of 2020 by FAS. Under this new procedure, PeopleSoft Security Requests are now processed in the IT Service Hub electronically. All tickets are created by the Department Security Coordinator and must be approved by User's Manager via IT Service Hub or replying "Approve" to the email ticket request received. General Accounting will perform the 2020 annual reviews of existing users and rights in coordination with city of Seattle PS 9.2 Team. The city's PS 9.2 Team is leading this effort

with completion in November. The exceptions noted within the audit report identified a sample of access forms that were not provided to General Accounting at the time that General Accounting took on this role in mid-2019. We will work with City of Seattle PeopleSoft (PS) 9.2 Security Administrator to obtain copies of noted forms.

**Recommendation 12: City Light management should require the WAMS Security Coordinators to monitor management's compliance with City policy regarding periodic reviews.**

**SCL Concurrence:** Concur

**SCL Responsible Owner:** Marcus Cunningham

**SCL Management Response:** City Light will evaluate having the high access level responsibilities reviewed in Q4 2020.

**Recommendation 13: City Light management should design and implement appropriate security measures for the AntTracker system to help ensure only authorized users have read-write access.**

**SCL Concurrence:** Concur

**SCL Responsible Owner:** Doug Haberman

**SCL Management Response:** This Recommendation was implemented on 8/2/20. The system is now password protected and a read-write user group has been established.

## APPENDIX B

### Seattle Office of City Auditor Mission, Background, and Quality Assurance

#### **Our Mission:**

To help the City of Seattle achieve honest, efficient management and full accountability throughout City government. We serve the public interest by providing the City Council, Mayor and City department heads with accurate information, unbiased analysis, and objective recommendations on how best to use public resources in support of the well-being of Seattle residents.

#### **Background:**

Seattle voters established our office by a 1991 amendment to the City Charter. The office is an independent department within the legislative branch of City government. The City Auditor reports to the City Council and has a four-year term to ensure her/his independence in deciding what work the office should perform and reporting the results of this work. The Office of City Auditor conducts performance audits and non-audit projects covering City of Seattle programs, departments, grants, and contracts. The City Auditor's goal is to ensure that the City of Seattle is run as effectively, efficiently, and equitably as possible in compliance with applicable laws and regulations.

#### **How We Ensure Quality:**

The office's work is performed in accordance with the Government Auditing Standards issued by the Comptroller General of the United States. These standards provide guidelines for audit planning, fieldwork, quality control systems, staff training, and reporting of results. In addition, the standards require that external auditors periodically review our office's policies, procedures, and activities to ensure that we adhere to these professional standards.

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