



Agenda Date: 6/26/2007  
Agenda Placement: 6EE

## NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

---

**TO:** Board of Supervisors  
**FROM:** Jon Gjestvang for Wilson, Bennett - Chief Information Officer  
Information Technology Services  
**REPORT BY:** Bennett Wilson, CIO, 707 253-4829  
**SUBJECT:** Professional Services Agreement with Symphony Service Corporation

---

### **RECOMMENDATION**

Chief Information Officer requests approval of and authorization for the Chair to sign an agreement with Symphony Services Corporation for the term June 26, 2007 through January 1, 2008, to perform a telecommunications billing audit, billing and network analysis, and inventory cleanse in exchange for;

1. A historical cost success fee in the amount equal to thirty-three percent (33%) of any refunds, credits or discounts issued by the County's telecommunications services providers resulting from the audit; and
2. A forward looking cost success fee in the amount of fifty percent (50%) of the monthly expense reductions for a period of six (6) months that are negotiated with any telecommunications service providers by Symphony on behalf of the County.

### **EXECUTIVE SUMMARY**

Telecommunications bills for voice and data are often riddled with errors and are difficult to verify. The purpose of this audit is to provide a baseline to better manage our telecom bills. This three phase audit will analyze all of the County's telecommunications assets, contracts and bills:

Phase 1: Symphony SMS will compile an inventory of telecommunications equipment, services and contracts. The goal is to provide supervision and management an accurate list of all telecommunication assets they are responsible for in one location.

Phase 2: Symphony SMS will then analyze all services identified to provide optimization of services and to identify possible savings.

Phase 3: Symphony SMS will analyze vendor invoices dating back several months for accuracy and contract compliance.

Based upon this analysis, Symphony SMS will work with the County and vendor personnel to recover credits that

result from historical overbilling and provide cost avoidance going forward.

The cost structure for audit is based on a historical cost success fee and a forward looking optimization cost success fee. Symphony SMS will be paid only a percentage of any savings the County realizes as a function of this audit.

### **FISCAL IMPACT**

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	No
What is the revenue source?	This item will be funded by sharing a portion of the savings generated from the audit. Thirty-three percent (33%) of any historical refunds, credits or discounts issued as well as fifty percent (50%) of future forward looking savings for a period of six months.
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	The proposed agreement results in a net savings to the County.
Is the general fund affected?	Yes
Future fiscal impact:	Telecommunications expenses should be optimized in the future.
Consequences if not approved:	A manual reconciliation will continue to be performed and cost savings would not be immediately realized.

Additional Information:

### **ENVIRONMENTAL IMPACT**

**ENVIRONMENTAL DETERMINATION:** The proposed action is not a project as defined by 14 California Code of Regulations 15378 (State CEQA Guidelines) and therefore CEQA is not applicable.

### **BACKGROUND AND DISCUSSION**

Telecom expense management is a service that can ease the frustrations of auditing bills and help businesses save money. An audit is the first step toward implementing telecom expense management program. Currently individual departments receive and process their own telecommunication bills for most outside telecommunication service providers except long distance which is process through the Communications Division of ITS. Enterprise wide hundreds of invoices are received with thousands of inventory line items making it difficult to verify the accuracy of all the invoices, maintain an inventory or automatically chargeback to individual departments.

Telecom bills for voice and data are often riddled with errors (for example, rates for new contracts are not't reflected or disconnected circuits continue to be billed). In a report done by Gartner Consulting it was found that it is not unusual for an enterprise to overpay by 5 percent to 10 percent each month (see Figure 1). Moreover, telecom companies often are slow to correct faulty bills — some take six months to a year to resolve billing errors, despite constant pressure from the enterprise customers.

As identified in figure 1, a one time bill auditor could potentially yield significant savings countywide. These "auditors" review an enterprise's invoices for errors, usually taking a 35 percent to 50 percent contingency fee on errors found. The fee mechanisms vary, but often a fee is charged for the coming 12 months based on the view that if the auditor had not found the error, the enterprise would have continued to pay the inflated amount. For example, if an enterprise had been erroneously paying \$1,000 month for a disconnected circuit for 12 months, some auditors would charge 35 percent to 50 percent of the previous year's overbilling, plus the same fee for the next 12 months — which results in a total expense of \$8,400 to \$12,000 on what was only a \$12,000 billing. These expense checkers look for typical billing errors.

Figure 1. Telecom Billing Management Savings Opportunities

Scenario	Do Nothing	Manage Internally	One-Time Bill Audit	ESP
Annual telco spend	\$200,000	\$200,000	\$200,000	\$200,000
Potential Overpayments	\$10,000 to \$20,000	\$10,000 to \$20,000	\$10,000 to \$20,000 *	\$10,000 to \$20,000
Cost to resolve	\$0	\$0	\$4,000 to \$8,000	\$5,000 to \$10,000
Chances of over-billings returning	High	Low	High	Low
Amt. remaining still being overpaid	\$10,000 to \$20,000	\$0	\$2,000 to \$4,000	\$0
Internal cost of managing telcom bill	\$0	\$12,500 **	\$0	\$0
Bottom Line Costs	\$0	\$12,500	\$4,000 to \$8,000	\$5,000 to \$10,000
Savings	\$0	(\$2,500) to \$7,500	\$4,000 to \$12,000 ***	\$5,000 to \$10,000
Savings per annum	\$0	(\$2,500) to \$7,500	\$2,000 to \$6,000	\$5,000 to \$15,000

\* One-time bill auditor typically finds a maximum of 80% of overpayments

\*\* Based on 25 percent of a person's time with a loaded salary cost of \$50,000 per annum

\*\*\*One-time bill audit is performed every two or three years. Costs and savings must therefore be calculated over two or three years

Source: Gartner Research

This agreement with Symphony Services Corporation is to perform a telecommunications billing audit, billing and network analysis, and inventory cleanse. SymphonySMS will receive a success fee in the amount equal to thirty-three percent (33%) of any refunds, credits or discounts issued by the County's telecommunications services providers resulting from the audit. Additionally, Symphony shall receive a forward looking cost success fee in the amount of fifty percent (50%) of the monthly expense reductions for a period of six (6) months that are negotiated with any telecommunications service providers by Symphony on behalf of the County of Napa for a period of six months. Based on the results of this audit, staff may come back to the Board with a proposal for a Telecom expense management long-term solution.

**SUPPORTING DOCUMENTS**

None

CEO Recommendation: Approve

Reviewed By: Karen Gratton