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Audit of Fiber Optics Licensing Agreements

Performed by:
Mark Zitzler, CPA
Auditor

AUDIT OF FIBER OPTIC LICENSING AGREEMENTS

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DELAWARE RIVER PORT AUTHORITY

OFFICE OF THE INSPECTOR GENERAL

AUDIT OF FIBER OPTIC LICENSING AGREEMENTS

A. Objective / Scope / Methodology

The Office of the Inspector General (OIG) conducted an audit of the Authority's Fiber Optic License Agreements. These agreements represent supplemental revenue sources to the Authority. The audit was conducted by Mark Zitzler, Auditor. The audit objectives included:

- evaluating the process for entering into agreements with fiber optic providers and assuring current, executed agreements are in place;
- determining how fair market value was / is determined for Authority services provided and documented revenue received;
- assuring retention of required supporting documentation;
- assessing the Authority's contract management practices and controls in place to assure compliance with agreed upon services as documented within the subject agreements (and any amendments, if applicable); and,
- assuring contracted revenue terms are effectively executed, and that revenue is received in a timely manner and accurately calculated.

The scope of our audit covered current service agreements with Level 3/CenturyLink Communications Company (Century Link), Verizon Access Transmission Services (MCI Metro Access Transmission Corporation), Zayo Group, LLC, PennDOT, and Crown Castle including associated revenue received from January 2018 through December 2020. Based on OIG's initial planning, associated revenue reported during this time period amounts to approximately \$1.1 million.

To assist in the evaluation of the Fiber Optic Licensing audit, OIG was provided access to requested information and documentation, including:

- the resolutions and agreements with Level 3 Communications Company (Century Link), Verizon Access Transmission Services (MCI Metro Access Transmission Corporation), Zayo Group, LLC, PennDOT, and Crown Castle;
- "read only" access to supporting financial documentation for the monthly cash receipts' journal entries (within SAP);
- results from engineering consultant determining third party fiber infrastructure and fair market value analysis; and,
- required insurance documentation related to the fiber optics agreements.

In addition to being provided the documentation noted, OIG communicated with the Deputy CEO, Chief Engineer, Director, Risk Management, Director, Procurement, Director, Information Services, Director, Emergency Management and Homeland Security, Assistant General Counsel, Supervisor, Accounts Payable & Receivable, and PATCO's General Manager, and Director, Finance, and various other Authority staff members during the course of the audit.

B. Background

The Authority provides access for companies to run fiber optic cable across the Benjamin Franklin Bridge (BFB), Walt Whitman Bridge (WWB), Commodore Barry Bridge (CBB), Betsy Ross Bridge (BRB), and through the Port Authority Transit Corporation (PATCO) infrastructure, in exchange for lease payments or services. During the planning stages of the audit, it was learned that the Authority currently has fiber optic agreements with five companies:

- Level 3 Communications Company (Century Link);
- Verizon Access Transmission Services (MCI Metro Access Transmission Corporation);
- Zayo Group, LLC;
- PennDOT; and,
- Crown Castle.

There are two independent conduit systems that run across the BFB and through the PATCO Camden subway tunnels. Fiber optic conduits are fiber optic protection tubing that surround individual fiber strands to keep them safe and secure. Both systems extend from approximately the same areas of 4th Street in Philadelphia through Haddon Avenue in Camden.

The first of the two conduit systems was installed by Eastern Telelogic Corporation (ETC) in the late 1980s / early 1990s. This system was built solely for their business use with a formula for shared revenue with the Authority. Later, in or around the mid 1990s, the Authority designed and installed a six conduit system. The Authority's six conduit system was built to attract outside communication companies and was intended to be an additional revenue source for the Authority. Each conduit contains four inner ducts which encloses the fiber optic cable. The two systems have a total capacity for thirty-two separate fiber optic cables.

There is one duct that runs along the WWB that houses fiber optics for Zayo. This was added in 2007 by AboveNet, which was acquired by Zayo in 2012.

According to the Chief Engineer, the BFB is the only DRPA bridge that has available conduit systems connecting Pennsylvania to New Jersey, although it can be added to the other three bridges if it would benefit the DRPA.

Level 3 Communications Company (Century Link)

In 2018, the Delaware River Port Authority (DRPA) entered into an agreement with Level 3. The original agreement dates back to 1999 in which WilTel (an affiliate of Level 3) had an agreement with the DRPA. Level 3 became part of CenturyLink on November 1, 2017. The agreement started on January 1st, 2018 and is for five years with the option to extend upon mutual consent from both parties for an additional four terms of five years each term. The conduit system begins at 4th and

Florist Streets and runs through the BFB ending at the PATCO Center Tower, Haddon Ave and Mickle Blvd in Camden. The agreement gives Level 3/CenturyLink the rights to continue to install, operate, and maintain Level 3/CenturyLink's single fiber optic cable within the system and other fiber optic cables in exchange for an annual license fee paid to the DRPA. According to the agreement, Level 3/CenturyLink may wish to install additional fiber optic cables to its conduit system in the future. Based on communication with DRPA engineering and Bridge personnel, there have been no additional fiber optic cables installed. Additionally, Level 3/CenturyLink was to pay a one-time settlement fee in consideration for the release of previous claims due to the DRPA for using the fiber optic system from 2010 to 2017 without an agreement in place and without making payments when an old agreement expired.

Verizon Access Transmission Services (MCI Metro Access Transmission Corporation)

In 2018, the DRPA entered into an agreement with Verizon. The original agreement dates back to 1989 in which Verizon sublicensed fiber optics with ETC (now AT&T) in which ETC had an agreement with the DRPA. The two year agreement started on January 1st, 2018 and will renew for an additional four, one year periods unless either party provides the other party with proper notice of termination. The conduit system begins at 4th and Florist Streets (Philadelphia, PA) and runs through the BFB ending at the Lindenwold train station in Lindenwold, NJ. The agreement gives Verizon the rights to continue to install, maintain, operate, repair, renew, replace and remove Verizon's cables in the system in exchange for an annual license fee paid to the DRPA. Additionally, Verizon was to pay a one-time settlement fee in consideration for the release of previous claims due to the DRPA for using the fiber optic system from 2013 to 2017 without an agreement in place and without making payments when an old agreement expired.

Zayo Group, LLC

There are two separate agreements with Zayo Group, LLC. One for fiber optic cables that run across the WWB and another for fiber optic cables that run across the BFB.

Zayo (WWB)

In 2007, the DRPA entered into an agreement with AboveNet Communications, Inc. In 2012, Zayo acquired AboveNet Communications, Inc. and absorbed the agreement. The agreement started on November 20, 2007 and has a ten year term with the option of two, five year extensions. The agreement gives Zayo the rights to install, operate, and maintain fiber optic communication facilities along the WWB and to make necessary improvements to complete the cable conduit across the bridge in exchange for an annual license fee paid to the DRPA.

Zayo (BFB)

In 2015, the DRPA and the PATCO entered into an agreement with Zayo. The original agreement dates back to 1999 with Metromedia Fiber Network Services (now Zayo). The agreement started on October 6th, 2014 and is for ten years with the option of two, one year periods unless provided proper written notice of termination by either party. The conduit system begins at 4th and Florist Streets (Philadelphia, PA) and runs through the BFB ending at the PATCO Center Tower, Haddon Avenue and Mickle Boulevard in Camden, NJ. The agreement gives Zayo the rights to install their fiber optic facilities in their conduit system in exchange for an annual license fee paid to the DRPA.

As part of the agreement, Zayo supplies fiber optic cables / services for the DRPA from One Port Center to the BFB to provide connecting fiber services from One Port Center to all bridge facilities. This allows real time video from all bridges to be viewed at One Port Center, and enables the

Authority's bridges and PATCO to get all network and application services that are housed and offered from OPC and the Cloud since the bridges are connected through the PennDOT fiber optic agreement. The fee for this service is subtracted from the annual payment that Zayo pays to the DRPA.

PennDOT

In 2020, the DRPA and PATCO renewed an agreement with PennDOT. The original agreement was made in 2010 when DRPA and PennDOT entered an agreement to share traffic video between the DRPA and PennDOT. As part of their desire to share video, PennDOT offered fiber optic cabling along I-95 to interconnect the DRPA bridges. As communicated by the DRPA Director, Information Services, the agreement allowed the DRPA to terminate a costly wide area network solution which was costing approximately \$350,000 per year. The three year agreement started on November 4th, 2020 and will continue for additional one year periods unless terminated by the parties involved. The agreement gives PennDOT the rights to enter the DRPA property adjacent to the BFB, WWB, CBB, and BRB to install, test, commission, and maintain their fiber optic communications in exchange for use of PennDOT's fiber optic cable which runs along the I-95 corridor. This allows real time two-way video (including, but not limited to, video and traffic data) between inter-agency partners: DRPA, PennDOT, and potentially in the future the New Jersey Department of Transportation (NJDOT).

Crown Castle

In 2018, the DRPA entered into an agreement with Crown Castle. The agreement allowed Crown Castle to install a redundant fiber pathway for the Authority's wide area network (WAN) and dedicated internet access. This agreement ensures network performance and availability of the DRPA's critical network devices by providing the necessary redundant fiber and connectivity. In addition, the DRPA will also be adding another internet access connection to be located at the Commodore Barry Bridge disaster recovery facility. The fiber runs from the BRB, WWB, and CBB bridge facilities on the New Jersey side and intersect the PennDOT fibers on the BRB, WWB, and CBB, connecting the six major Authority facilities. The seven year agreement included a cost of \$248,320 charged to the DRPA for the installation of the fiber and a monthly fee of \$11,660 for fiber pathway and dedicated internet. OIG confirmed the installation fee paid in 2019 and the monthly fees paid to Crown Castle from December 2019 to April 2021 by reviewing invoices and payment information in SAP in comparison to established contract terms. Current insurance documentation is on file and is in compliance with the existing agreement. There is no revenue collected by the DRPA or exchange of service for this agreement. (This agreement was included for informational purposes; although this represents a fiber optics agreement, it is not a revenue generating (or exchange of service) agreement and as such has not been included in the audit since it is not a revenue generating fiber optics agreements which is the focus of the audit.)

Below is a chart showing the dates of each current agreement:

Fiber Optic Firm	Beginning Date of Agreement	Ending Date of Agreement	Term Years	Notes
MCIMetro/Verizon	1/1/2018	12/31/2019	2	Will renew for an additional 4, one year periods unless either party provides the other party with proper notice of termination.
Level 3 /CenturyLink	1/1/2018	12/31/2022	5	Option to extend upon mutual consent from both parties for an additional four terms of five years each term.
Zayo (BFB)	10/6/2014	10/5/2024	10 years from service network date.	Option of two, one year periods upon written notice provided by either party.
AboveNet/Zayo (WWB)	11/20/2007	11/19/2017	10	Automatic extension for two, five year periods
PennDOT	6/29/2020	6/28/2023	3	Will continue for additional one year periods unless terminated by the parties involved.
Crown Castle Fiber A.K.A Lighttower Fiber Networks II	11/7/2018	11/6/2023	Later of 5 years from effective date or latest date of expiration of active service orders/change order.	

C. Audit Summary

Based on conversations with Authority management and testing performed, OIG determined that the Fiber Optic Licensing Agreements are not being effectively overseen and management responsibilities require definition. In summary, based on the completion of our audit, the following was determined and communicated to the PATCO General Manager, Chief Engineer, Chief Financial Officer, Director, Information Services, Director, Risk Management, Assistant General Counsel, PATCO Director, Finance, DRPA Director, Finance, and Director, Emergency Management & Homeland Security:

- Currently the responsibility of managing the six similar fiber optic agreements is not clearly defined and dispersed over various areas of the Authority. Overall accountability for the fiber optic license agreements should be clearly defined and assigned at the point of inception of the agreements. All fiber optics license agreements should be centralized under one department to assure consistency in management oversight, and operational and financial compliance (single point of contact).
- OIG was unable to determine how the compensation for services was established for two (PennDOT and Zayo [BFB]) of the five fiber optics license agreements in order to verify if fair market value is received. OIG did observe that the rates associated with the Zayo (BFB) agreement are comparable or greater to the rates received within similar contracts (i.e. Verizon and L3 / Century Link); the PennDOT agreement is a non-revenue generating account as it involves solely shared services between both parties. Although it is noted in the Zayo (WWB) resolution that the rate is comparable to similar services provided to the Philadelphia Authority for Industrial Development at the Philadelphia Navy Yard, the revenue received is less than 10% of the average annual revenue generated in 2020 by the other revenue producing fiber optic agreements.
- Three (Level 3 / CenturyLink, Verizon, and Zayo [WWB]) of the four revenue generating fiber optics licensing agreements did not have accurate payments received due to not accounting for the annual increases stated in the respective agreements which resulted in unbilled revenue of \$30,136 (3%) of the \$1 million expected revenue for the three agreements between years 2012 and 2020, plus any additional underpayments associated with year 2021 activity (as of March 2021). DRPA and PATCO Finance management are pursuing recovery of the identified underbilling / underpayment due the Authority.
- Current insurance documentation was not provided when requested by OIG for two (PennDOT and Verizon) of the six fiber optic agreements and insurance documentation for another fiber optic agreement (Level 3/CenturyLink) was not readily available.

These summarized findings and associated recommendations are presented in more detail within the report.

D. Review of Process for Establishing and Assuring Compliance with Agreements

Establishing Rates for Access / Services Provided

OIG evaluated the process for entering into agreements with the fiber optic providers. Based on the review, it appears that four current agreements are continuations of previous agreements that have been in place for years and one agreement established in 2007. It is also understood through communications with management that there has not been any marketing for the use of the fiber optic cables.

OIG reviewed the five agreements to determine if fair market value was received for the services / access provided and / or use of the fiber optic cables. An engineering firm was used as a consultant to help establish fair compensation for the Verizon and Level 3 / CenturyLink agreements. The engineering firm conducted an industry cost comparison of other comparable agencies, municipalities, and others in determining fair market value for such services. For the Zayo (WWB), it is noted in the resolution that the rate is comparable to similar services provided to the Philadelphia Authority for Industrial Development at the Philadelphia Navy Yard. Even though the Zayo (WWB) rate was compared to another rate used by the Philadelphia Authority for Industrial Development, the annual revenue generated is less than 10% of the average annual revenue generated in 2020 by the other agreements (Zayo [BFB], Verizon and L3 / Century Link).

OIG was unable to observe supporting documentation used in determining that fair market compensation was obtained for the Zayo (BFB) and PennDOT agreements. Based on communication with management, the compensation may have been determined in the previous agreements and carried forward upon renewal. OIG did observe that the rates associated with the Zayo (BFB) agreement are comparable or greater to the rates received within similar contracts (i.e. Verizon and L3 / Century Link); the PennDOT agreement is a non-revenue generating account as it involves solely shared services between both parties. The Director, Information Services, informed OIG that the benefit DRPA receives for the services of using the fiber optics along I-95 is greater than the value of the video sharing that DRPA provides to PennDOT.

Fiber Optic License Agreement Management / Oversight

Currently the responsibility of managing the six similar fiber optic agreements is not clearly defined and dispersed over various areas of the Authority. Below is a matrix identifying who is presumed accountable for each active fiber optic licensing agreement within the Authority:

Fiber Optic Firm	Operational Contact	Financial Contact
Verizon	PATCO General Manager and the DRPA Chief Engineer	PATCO Director of Finance
Level 3/CenturyLink	PATCO General Manager and the DRPA Chief Engineer	PATCO Director of Finance
Zayo (BFB)	DRPA Director, Information Services	DRPA Accounts Payable and Receivable Supervisor
Zayo (WWB)	DRPA Bridge Director, WWB	DRPA Accounts Payable and Receivable Supervisor
PennDOT	DRPA Director of Homeland Security & Emergency Management with support from the Director of Information Services	N/A; no revenue is generated
Crown Castle	DRPA Director, Information Services	N/A; no revenue is generated

Audit Finding #1: There was no evidence that an analysis was performed to determine that fair market value was received for the Zayo (BFB) and PennDOT agreements. The Zayo (WWB) agreement was only compared to one other rate and should have been compared to at least three comparable rates to determine fair market value.

Audit Recommendation #1: A process, similar to the one used to assess receipt of fair market rates for the Verizon and L3 / CenturyLink agreements, should be implemented to obtain and assess comparable rates of similar fiber optics services once the agreements are up for renewal to ensure the Authority is receiving fair market rates for access and services provided.

Overall accountability for the fiber optic license agreements should be clearly defined and assigned at the point of inception of the agreements. All fiber optic license agreements should be centralized under one department to assure consistency in management oversight, and operational and financial compliance (single point of contact).

Management Response #1: All auditee management concurred with the finding and recommendation, including centralizing management oversight of the various fiber optic licensing agreements and having that responsibility assumed by the Chief Engineer and Engineering Department. The Chief Engineer and Engineering Department will take on the responsibility for all fiber optic related agreements to centralize the management and contract compliance oversight and is targeting transition by June 30, 2021. The Chief Engineer plans to leverage the existing Geographic Information System (GIS) to act as a repository for all fiber optic licensing agreement related documentation as part of the transitioning of responsibilities. The Chief Engineer also will ensure all rates are assessed for fair market value, and when doing so coordinate with other DRPA / PATCO departments, when addressing all renewed or new fiber optic agreements.

Compliance with Insurance Requirements

Based on the terms within the fiber optic licensing agreements, each of the four fiber optic providers is required to maintain the following insurance:

- Workers Compensation and Employers Liability;
- Commercial General Liability;
- Automobile Liability; and,
- Commercial Umbrella Liability.

OIG was able to obtain current documentation of required insurance for Zayo (BFB and WWB) and Level 3/CenturyLink, although Level 3/CenturyLink was not readily available and had to be requested. Current insurance documentation for both Verizon and PennDOT have not been obtained for 2020 -2021. Based on conversation with Authority management, OIG is not aware of any work performed by the fiber optic providers on Authority property since the inception of the current agreements and where documented insurance was not on file.

Audit Finding #2: Insurance documentation for the six fiber optic agreements is not being routinely tracked by the DRPA. OIG was unable to obtain insurance documentation for two (33%) of the six Fiber Optic Agreements for the current year, and insurance documentation for one of the fiber optic providers was not readily available.

Audit Recommendation #2: Required insurance documentation for the fiber optics agreements should be maintained by the DRPA. Overall accountability for obtaining and maintaining current, required insurance documentation should be defined at the point of inception of the agreements and in conjunction with management’s response to Recommendation 1.

Management Response #2: All auditee management concurred with the finding and recommendation. The Chief Engineer will work with the Director, Risk Management to develop a process to obtain and maintain current, required insurance documentation by June 30, 2021.

In accordance with the agreements, the fiber optic providers are required to follow the terms within the DRPA / PATCO Safety manuals when working on DRPA / PATCO property. Since there has been no known work completed on DRPA/PATCO property within the most recent agreements based on communication with Authority management, there have been no reported safety issues.

In accordance with the Level 3 / CenturyLink and Verizon agreement, both firms were responsible for costs related to the relocation of their cable due to the BFB bike ramp project. The relocation of the cables was completed before the current agreements were in place and according to DRPA Engineering and Bridge Operations management, the relocation was completed and paid for by Verizon and Level 3/CenturyLink. The Authority did not pay for any costs associated with the rerouting of the fiber optic cables based on OIG’s discussion with DRPA Engineering and Bridge Operations management.

Record retention requirements were reviewed. OIG received the agreements and documentation related to the fair market evaluation for the Verizon and Level 3/CenturyLink contract. OIG also observed that the monthly invoices sent to Zayo are effectively maintained within SAP.

[Note: Since there is unused capacity available within the existing conduits, where opportunities exist, OIG recommends researching the interest in utilizing current unused conduit capacity in order to optimize related revenue.]

E. Financial Review / Payment Accuracy

OIG traced the cash receipts in the General Ledger to the fiber optic licensing agreements for the three-year period 2018-2020 for Level 3 / CenturyLink, Verizon, and Zayo to ensure the correct amount was billed / received by the Authority in accordance with respective agreements. The total revenue received by the Authority for the four revenue generating agreement for the three-year period 2018-2020 was \$1,137,805. There were no payments received associated with the PennDOT agreement since it is an exchange of services; similarly, the Crown Castle fiber optic agreement is a non-revenue generating agreement. Based on discussion with the DRPA and PATCO Finance, an accounts receivable billing process is established with Zayo where an invoice is created within SAP and sent to Zayo (BFB) each month and Zayo (WWB) each year; Zayo has been paying the monthly amount due for the BFB fiber optics before the invoice is sent. Also, an accounts receivable billing process has not been established for both of the PATCO agreements (Level 3 / CenturyLink and Verizon); the CFO communicated that an accounts receivable billing / invoicing process was not required by the agreements.

Zayo (BFB)

Based on the agreement with Zayo (BFB), there is a stated amount due for each year from the inception of the agreement in 2015. A summary of the payments received and the amounts due per the agreement for the years 2018 to 2020 are listed below:

Year	Zayo (BFB) Agreement	Zayo Payments Received	Variance
2018	\$ 103,924	\$ 103,924	\$ -
2019	\$ 108,081	\$ 108,133	\$ 52
2020	\$ 112,404	\$ 112,404	\$ -
TOTAL	\$ 324,409	\$ 324,461	\$ 52

The DRPA Accounts Payable & Receivable Supervisor communicated that the overpayment in 2019 appears to be a combination of a write-off and possibly timing of invoices. This is being reviewed further by DRPA Finance to confirm if any additional revenue is due to DRPA or if a credit is due to Zayo.

Zayo (WWB)

Based on the agreement with Zayo (WWB), there was an amount due based on a rate per foot of conduit / duct occupied and per duct occupied for the first year of the agreement (2007), then the amount due increases each year based on the annual Consumer Price Index (CPI) increases from the previous year. The amount of feet used for the fiber optic cables is not listed on the agreement. Based on discussion with DRPA Finance, the amount of feet used for the fiber optic cables was listed on the original invoice sent to Zayo in 2008. The base year amount due calculated to \$9,706. A summary of the payments received and the amounts due per the agreement for the years 2007 to 2020 are listed below:

Year	Zayo (WWB) Agreement	Cash Received from Zayo	Variance
2007-2017	\$ 119,851	\$ 77,647	\$ (42,203)
2018	\$ 12,066	\$ 38,824	\$ 26,758
2019	\$ 12,280	\$ 9,706	\$ (2,574)
2020	\$ 12,427	-	\$ (12,427)
TOTAL	\$ 156,623	\$ 126,177	\$ (30,446)

The cash received from Zayo in 2018 is for the four year period from 2015 to 2018. DRPA Finance started an invoice / billing process in 2019. The 2020 invoice (fiscal year November 2020 to October 2021) for \$12,427 was billed in May 2021 during the course of the audit. In 2020, it was noted that the CPI revenue increase was not accounted for, not billed, and not paid each year from the year after the base year of the agreement (2007) to date. DRPA Finance calculated the amount due the Authority and invoiced the retroactive balance of \$15,981 to Zayo in May 2021. (The retroactive billing is from years 2012 to 2020 and does not include the CPI increase from 2007-2011 [\$2,038] because DRPA can only bill back to 2012 since that was the year when Zayo acquired the original service provider, AboveNet, and absorbed the agreement.)

Level 3 / CenturyLink

Based on the agreement with Level 3 / CenturyLink, there was a stated amount of \$118,299 due for the first year of the agreement (2018), then the amount due increases each year based on the annual Consumer Price Index (CPI) increases from the previous year. The CPI increase, as communicated by the Bureau of Labor Statistics, was 1.9% in 2018, 2.3% in 2019, and 1.4% in 2020. A summary of the payments received and the amounts due per the agreement for the years 2018 through March 2021 are listed below. March 2021 was the most recent payment received when the audit was conducted. OIG reviewed 2021 activity since there were variances observed in both years 2019 and 2020.

Year	Level 3 / CenturyLink Agreement	Level 3 / CenturyLink Payments Received	Variance
2018	\$ 118,299	\$ 118,300	\$ 1
2019	\$ 120,547	\$ 118,299	\$ (2,248)
2020	\$ 123,319	\$ 118,299	\$ (5,020)
2021(Jan-Mar)	\$ 31,261	\$ 29,575	\$ (1,687)
Settlement Payment (2018)	\$ 382,229	\$ 382,229	\$ -
Total	\$ 775,655	\$ 766,701	\$ (8,954)

Based on the variances in years 2019, 2020, and January through March 2021 and discussion with the PATCO Finance Director, it was determined that Level 3 / CenturyLink did not adjust the payments due to the Authority in 2019, 2020, and January through March 2021 for the respective annual CPI increase and has underpaid the Authority by \$8,954. The PATCO Finance Director reached out to Level 3/CenturyLink in February 2020 to address the payment issue, but it was not resolved and remains outstanding.

The settlement payment was accurate and paid properly in 2018 as per the agreement.

Verizon

Based on the agreement with Verizon, there was a stated amount of \$134,756 due for the first year of the agreement (2018), and an annual increase of 2.5% each year after. A summary of the payments received vs. the amounts due per the agreement for the years 2018 through March 2021 are listed below. March 2021 was the most recent payment received when the audit was conducted. OIG reviewed 2021 activity since there was a variance noted in 2020, continuing through March 2021 activity.

Year	Verizon Agreement	Cash received from Verizon	Variance
2018	\$ 134,756	\$ 134,756	\$ -
2019	\$ 138,125	\$ 138,125	\$ 0
2020	\$ 141,578	\$ 138,125	\$ (3,453)
2021(Jan-Mar)	\$ 36,279	\$ 34,531	\$ (1,748)
Settlement Payment	\$ 307,007	\$ 307,007	\$ -
Total	\$ 757,745	\$ 752,544	\$ (5,201)

Based on the variance in 2020, and January through March 2021, and discussion with the PATCO Finance Director, it was determined that Verizon did not adjust the payments in 2020 and January through March 2021 for the annual increase of 2.5% and has underpaid the Authority in the amount of \$5,201. The PATCO Finance Director reached out to Verizon in February 2020 to address the payment issue, but it was not resolved and remains outstanding.

The settlement payment received was accurate and paid properly in 2018 as per the agreement.

Audit Finding #3: Level 3 / CenturyLink did not pay the correct amount in 2019, 2020, and 2021 (to date). Verizon did not pay the correct amount in 2020 and 2021(to date). Zayo was not billed and did not pay the correct amount for the WWB fiber optic licensing agreement from 2008 to 2020.

Audit Recommendation #3: Although there is an accounts receivable billing process established for the Zayo (WWB) agreement, there is not an accounts receivable billing process in place for the Level 3 / CenturyLink and Verizon agreements. Implementing the accounts receivable billing process and issuing an accurate invoice for all revenue generating fiber optic agreements (based on established agreement terms) should help to assure that Level 3 / CenturyLink and Verizon remit accurate payments (including established annual increases) to the Authority and drive consistency throughout the management of these similar agreements. An accounts receivable billing process also should be established for the Level 3 / CenturyLink and Verizon agreements (similar to what is currently in place for the Zayo (WWB) agreement) to more effectively determine and track the accurate amounts due, invoiced and received and help to assure the annual increase in payment per the agreements is internally applied and invoiced. Additionally, past due payments should be requested and obtained from both Verizon, Level 3/CenturyLink, and Zayo (for the WWB agreement).

Management Response #3: The Director, PATCO Finance concurs with the finding and recommendation. The Director, PATCO Finance will contact both Verizon and Level 3/CenturyLink by June 30, 2021 to collect the identified revenue due the Authority and attributed to contracted annual increases. Additionally, the Director, PATCO Finance will explore the implementation of an accounts receivable billing process (similar to what is in place at DRPA Finance for the Zayo (WWB) fiber optic agreement) by June 30, 2021 for the Verizon and Level 3/CenturyLink fiber optic agreements. DRPA Finance has invoiced Zayo for the unbilled / unpaid CPI increases related to the WWB agreement during the course of the audit (May 2021).