

Memorandum

City of Lawrence

City Auditor

TO: Members of the City Commission

FROM: Michael Eglinski, City Auditor

CC: David L. Corliss, City Manager
Cynthia Wagner, Assistant City Manager
Diane Stoddard, Assistant City Manager
Jonathan Douglass, Assistant to the City Manager

Date: October 14, 2010

RE: Preventing “Cramming”

The city should strengthen controls to prevent “cramming.” Cramming happens when a company adds a charge to the city’s phone bill for a service the city didn’t order, agree to, or use. Several charges on recent telephone bills appear to be cramming. The City Manager should contact the companies that placed the charges, ask for explanation for the charges, cancel the services, and request adjustments for any incorrect charges. The City Manager should also take steps to reduce the likelihood of cramming: request a bill block on third-party charges to the city’s account, provide city staff with information about how to reduce cramming, and review monthly bills to look for cramming in the future. If appropriate, the City Manager should file a complaint with the Federal Trade Commission.

The City Manager has begun to address the recommendations (see management response section on page 3).

The city appears to have been charged for some services that weren’t ordered, agreed to or used. The services appear as charges on the city’s phone bill. The charges include items such as: voice message monthly fee, webhosting service, PC tech, and efax monthly service. None of the charges were through the city’s telephone provider. The monthly charges for these services ranged from \$8.00 to \$49.95.

Staff in the Information Systems, Parks and Recreation, Public Works and Fire/Medical departments had no knowledge of the charges associated with the phone numbers identified as possible cramming charges.

What is cramming?

Cramming happens when a company adds a charge to a phone bill for a service the customer didn't order, agree to, or use. Crammers rely on confusing telephone bills to trick consumers into paying for services they didn't authorize or receive.

What to do if you've been crammed?

Call the company that charged for the services, ask for an explanation, and request an adjustment for any incorrect charges.

Contact the telephone company, explain your concerns, and ask for the procedure to remove incorrect charges.

Sources: Federal Trade Commission and Federal Communications Commission

Recommendations

The City Auditor recommends that the City Manager:

1. Contact the companies that placed charges on the most recent phone bill, ask for an explanation of the charges, cancel the services, and request an adjustment for any incorrect charges.
2. Request a bill block on third-party charges to the city's account.
3. Provide city staff with information on preventing cramming.
4. Review monthly bills to look for cramming in the future.

The City Manager should consider filing formal complaints, such as with the FTC, if appropriate.

Scope, method and objectives

The City Auditor designed this performance audit to determine if the city had been billed for charges consistent with cramming and, if so, to identify steps to prevent cramming.

The City Auditor reviewed phone bills for April and December of 2009; and July, August and September 2010. The auditor interviewed city staff in the Information Systems, Fire/Medical, Parks and Recreation, and Public Works departments. The auditor reviewed literature from the Federal Communications Commission, Federal Trade Commission, and the Kansas Citizens Utility Ratepayers Board.

Table 1 Resources for understanding and preventing cramming

Title	Web link
Cramming: Mystery Phone Charges	http://www.ftc.gov/bcp/edu/pubs/consumer/products/pro18.pdf
Unauthorized, Misleading, or Deceptive Charges Placed on your Telephone Bill – “Cramming”	http://www.fcc.gov/cib/consumerfacts/cramming.html
Cramming	http://curb.kansas.gov/cramming.htm

The City Auditor conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require planning and performing the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. The City Auditor believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

The City Auditor provided the City Manager with a draft of the report on October 6, 2010. Management provided a response on October 8, 2010. The response is summarized below.

Management Response

Management has begun working to strengthen controls to prevent cramming. Management plans to meet with a telephone company representative to discuss the issue. In addition, the Information Services Department will:

- make a list of all of the city’s phone accounts to be sure all accounts have all been reviewed.
- identify questionable billing and third party billing to be researched
- contact each of these companies to cease the activity and document the process.
- research what other cities are doing to monitor and prevent this type of activity.
- discuss within our department what steps need to be taken to prevent this type of activity in the future.
- review what communications need to be sent to educate the City staff to help prevent this problem.
- inform the City Auditor and City Manager of the results.