



Office of the Comptroller  
April 13, 2007

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Comptroller

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To the Honorable  
Common Council of the  
City of Milwaukee

Re: Proposed ATT Wisconsin Interim Operating Agreement

Council Members:

On March 22, 2007 the Steering and Rules Committee recommended approval of the proposed ATT Agreement for U-Verse/Lightspeed television services, contingent on satisfaction of the financial concerns stated in my March 21, 2007 letter to the Common Council. Since that time, our Office and the Office of the City Attorney have been in continual contact with ATT to address the Comptroller's financial concerns. We have reached agreement with ATT on the financial audit concerns cited in our letter of March 21<sup>st</sup>. While not an ideal solution, retaining the right to an independent audit by the City of Milwaukee or its agent at the end of the three year contract gives the City assurance that any payments received during the term of the contract are indeed consistent with its terms.

In contracts of a similar character such as the agreements with Time-Warner Cable, Waste Management, collection of City accounts and others, the City has required the vendor to furnish an annual certification from the vendor's independent auditors attesting to the accuracy of the computation of amounts due pursuant to the contract. The City has been consistent in its requirement of such a provision.

We would much have preferred the continuation of this City policy. This would have required ATT's auditors to provide an annual certification on the gross revenues which are the basis for ATT payments to the City. However, ATT took the position that the City bear the cost of this annual review. Had the City of Milwaukee assumed this audit cost, this would have established a precedent, setting the stage for additional City audit costs related to current agreements – costs previously paid for by the private vendor. Under the agreed upon terms, ATT will reimburse the City for the reasonable cost of the three year audit as well as pay any additional revenues that may be due as the result of the audit. The City also retains the right to inspect ATT's records regarding the gross revenues under the Agreement. Thus the principle of an independent review of gross revenues is maintained.



We find the above terms acceptable due in part to the relatively brief three year contract duration. Assuming a successful completion of the contract by ATT, in considering any extension or new contract three years hence, the City of Milwaukee should place a high priority on inclusion of contractual audit provisions more consistent with the City's other vendors.

Should you have any questions regarding the above, please contact me.

Sincerely,



W. Martin Morjes  
Comptroller

cc: Mayor Tom Barrett,  
City Attorney Grant Langley,  
Vincent Moschella,  
Ron Leonhardt

Mjd/4-13-07