

OFFICE OF THE COUNCIL AUDITOR
Suite 200, St. James Building



April 26, 2007

Special Report # 633

Councilmember Richard Clark
Jacksonville City Council District 3
117 West Duval Street, Suite 425
Jacksonville, Florida

Dear Councilmember Clark,

In response to your request, we have completed a review to identify potential cost savings available to the City of Jacksonville and related agencies by consolidating the procurement and management of cellular phone contracts. We are providing this special written report in accordance with Ordinance Code Section 102.102. This report does not represent an audit or attestation conducted pursuant to Government Auditing Standards.

Background

The City of Jacksonville manages contracts, procurement, and use of cellular phones through the Information Technology Department (ITD). ITD also manages cell phones for Jacksonville Children's Commission, Jacksonville Economic Development Commission, Supervisor of Elections, and Tax Collector. The Property Appraiser's Office has no cell phones paid for by the City of Jacksonville. The Jacksonville Sheriff's Office and the Clerk of Courts Office manage contracts, procurement and use of cell phones independent of ITD. Jacksonville Airport Authority, Jacksonville Port Authority, Jacksonville Transportation Authority, and JEA each manage contracts, procurement, and use of cell phones independently. At the time of this report a combined total 3,004 cell phones were in use at an estimated annual cost of \$1,221,443. Sprint/Nextel, Cingular, Verizon, and T-Mobile are the cell phone providers being used throughout the City, Constitutional Officers, and Independent Agencies (Consolidated City). Sprint/Nextel is the predominant cell phone provider with 2,210 units, followed by Verizon with 446 units, Cingular with 301 units, and T-Mobile with 47 units (Exhibit 1).

Summary of Work Performed

- Reviewed applicable policies and procedures
- Reviewed prior audit reports issued by the Council Auditor's Office
- Interviewed staff responsible for approving cellular phone bills and documented the procedures followed
- Documented the rate structure and contract details for each cell phone contract used by the Consolidated City
- Recalculated the stated discounts of the various contracts in use by the Consolidated City to determine if stated discounts recalculate to the amount advertised

- Investigated the potential savings available if the Consolidated City contracted as a group with a single cell phone provider
- Quantified the potential savings available to the Consolidated City by piggybacking each cell phone provider's least expensive contract

Use of a Single Cell Phone Provider

We investigated the potential savings that could result from procuring and managing all cell phones for the Consolidated City through a single cell phone provider. The theory was that by contracting all 3,004 cell phones through the lowest cost provider, the Consolidated City would have lower administrative costs and would receive a volume discount. The Consolidated City collectively spends a minimum of 100 hours per week (Exhibit 1) on the various administrative aspects of cell phone management, contract compliance, and procurement. After interviewing staff members responsible for approving cell phone bills, and reviewing policies and procedures followed it appears these hours would still be necessary whether or not the management was consolidated. All of the agencies contacted have policies, procedures, and staff in place and attempt to control effective and efficient use of cell phones. We also found that there is no single provider that could satisfy all the needs of the Consolidated City. While interviewing the City, for example, we were told Nextel provides a reliable two-way unit which is used widely by the Public Works Department whereas Cingular phones are used due to Cingular's coverage area. Therefore, contracting with the lowest cost provider would negatively impact some users who would obviously be opposed to changing providers. Regarding a volume discount for grouping all of the Consolidated City's phones under one contract, we found that there is no additional volume discount available by procuring all cell phone service through a single provider. The reason is that the Consolidated City's 3,004 phones represent a small number compared to the phones taken into consideration in some state and federal contracts which the Consolidated City has the ability to piggyback.

Least Expensive Contract - Existing Providers

The rate structure for each cell phone provider varies depending on the phone type and usage plan. Due to the individual needs of the various cell phone users throughout the Consolidated City, we investigated the savings that could be realized by finding the least expensive contract for each of the four cell phone providers. This option will allow each agency to keep its existing cell phone provider, equipment, and usage plan but still save money by piggybacking a lower cost contract. We found that the WSCA II (Western States Contracting Alliance) contract would allow the Consolidated City to save money with two cell phone providers by discounting access fees up to an additional six percent.

Conclusion

We found that by piggybacking the WSCA II contract, the Consolidated City could save an estimated \$49,683 per year (Exhibit 2), while keeping existing providers, plans, and equipment.

Sincerely,

Kirk A. Sherman, CPA
Council Auditor

**Council Auditor's Office
Cell Phone Special Project
Exhibit 1**

Agency	Service Provider	Number of Cell Phones	Monthly Expenditure per Phone	Estimated Annual Expenditure	Minimum Weekly Hours to Manage Cell Phones
City of Jacksonville Includes: Departments, Jax Children's Commission, JEDC, Supervisor of Elections, Tax Collector,	Sprint/ Nextel	942	26.55	\$ 300,086.40	50
	Cingular	290	39.59	137,762.40	
	Verizon	343	37.71	155,208.00	
	T-Mobile	6	59.90	4,312.80	
City of Jacksonville Totals		1581	31.49	\$ 597,369.60	
Property Appraiser	N/A	0	N/A		
Jacksonville Aviation Authority	Sprint/ Nextel	203	35.96	\$ 87,600.00	10
Jacksonville Port Authority	Sprint/ Nextel	73	50.02	43,821.88	5
	Verizon	6	55.08	3,965.96	
	T- Mobile	1	34.81	417.70	
Jacksonville Port Authority Totals		80	50.21	48,205.54	
JEA	Sprint/ Nextel	625	29.81	247,154.40	20
	Verizon	61			
	T-Mobile	4			
	Cingular	1			
JEA Totals		691			
Jacksonville Transportation Authority	Sprint/ Nextel	29	164.94	57,400.00	3
	Verizon	36	9.59	4,144.00	
Transportation Authority Totals		65	78.79	61,544.00	
Sheriffs Office Covert Account	Sprint/ Nextel	124	35.34	147,569.12	10
	Sprint/ Nextel	130			
	Sprint/ Nextel	84			
	Cingular	10			
Sheriff's Office Totals		348			
Clerk of Court	T-Mobile	36	74.07	32,000.00	4
Total for City and Independent Agencies		3,004	\$ 47.95	\$ 1,221,442.66	102

**Council Auditors Office
Cell Phones Special Project
Estimated Savings Piggybacking the Best Contracts**

Exhibit 2

Agency	Service Provider	Number of Cell Phones	Average Monthly Expenditure per Phone	Estimated Annual Expenditure	Estimated Annual Savings by adding WSCA II	Estimated Annual WSCA II Savings
City of Jacksonville Includes: Departments, JAX Children's Commission, JEDC, Supervisor of Elections, Tax Collector,	Sprint/ Nextel	942	\$ 26.55	\$ 300,086.40		\$ 25,674.65
	Cingular	290	39.59	137,762.40		
	Verizon	343	37.71	155,208.00		
	T-Mobile	6	59.90	4,312.80		
City of Jacksonville Totals		1581	\$ 31.49	\$ 597,369.60		
Property Appraiser	N/A	0	N/A	N/A		
Jacksonville Aviation Authority	Sprint/ Nextel *	203	\$ 35.96	\$ 87,600.00	\$ 8,122.89	
Jacksonville Port Authority	Sprint/ Nextel *	73	\$ 50.02	\$ 43,821.88	3,735.12	
	Verizon	6	55.08	3,965.96		
	T- Mobile	1	34.81	417.70		
Jacksonville Port Authority Totals		80	\$ 50.21	\$ 48,205.54		
JEA	Sprint/ Nextel	625	\$ 30.94	\$ 232,077.98		
	Verizon	61	15.24	11,155.65		
	T-Mobile	4	113.28	5,437.40		
	Cingular	1		809.40		
JEA Totals		691	\$ 29.81	\$ 247,154.40		
Jacksonville Transportation Authority	Sprint/ Nextel *	29	\$ 164.94	\$ 57,400.00	3,552.68	
	Verizon	36	9.59	4,144.00		
Transportation Authority Totals		65	\$ 78.79	\$ 61,544.00		
Sheriffs Office	Sprint/ Nextel *	124				
	Sprint/ Nextel *	130	\$ 35.34			
Covert Account	Sprint/ Nextel *	84	35.28		8,597.40	
	Cingular	10	35.67	4,280.00		
Sheriff's Office Totals		348	\$ 35.34	\$ 147,569.12		
Clerk of Court	T-Mobile	36	\$ 74.07	\$ 32,000.00		
Total for City and Independent Agencies		3,004	\$ 47.95	\$ 1,221,442.66		
WSCA II APPLIED TO REMAINING PHONES	Sprint/ Nextel *	643			\$ 24,008.09	
Estimated total savings of WSCA II piggybacked.						\$ 49,682.74

* At the time of this report 643 cell phones throughout the Consolidated City were not on the Sprint/Nextel WSCA II Government Discount Program. JEA is already using a Government Value Plan through Sprint/Nextel with a gross 25% discount. In May 2007, ITD, through the City's procurement department, signed an agreement with Sprint/Nextel increasing the WSCA government contract access fee discount from 18% to net 24%. Annualized, this estimates to an additional \$25,675 in savings to the City. Annualized the estimated savings to the remaining 643 cell phones would be \$24,008.09