

OFFICE OF INSPECTOR GENERAL



CELL PHONES

PROACTIVE OVERSIGHT NECESSARY TO REDUCE WASTE

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WHY OIG DID THIS REVIEW

During the budget preparation for FY2010, the issue of cell phone expenses was brought up. We offered to review some recent bills to determine if necessary oversight was occurring.

WHAT OIG RECOMMENDS

We are recommending a number of control improvements that should reduce the City's current level of cellular expenditure. In particular we suggest reinforcing ITD's role in controlling cellular expenditures. These control improvements should be made in concert with modifications to the cell phone policy.

WHAT OIG FOUND

In general we found little oversight over cellular expenditures. Lack of formal procedures results in using agency confusion as to how processes are supposed to work.

We found the following :

- Roaming charges incurred on City phones taken out of Florida
- Calls to Directory Assistance (4-1-1) at a rate of either \$1.25 or \$1.79 per call
- Text message usage outside of a purchased plan, in some cases costing the City more than \$300 / month
- 56 cellular phone accounts which went unused for 7 consecutive months, at a cost of \$10,000

Each of these items is easily detected using the bill data provided by the City's cellular carriers.

CELL PHONES

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INTRODUCTION

Cellular phones enable business to be conducted anywhere, anytime. Add PDA functionality and data access to the standard voice communication and you now have a portable office in your hand. The efficiencies gained can be tremendous.

However, care must be taken so the efficiencies and benefits do not overshadow the need for review and control.

Section 34.101 of the City of Jacksonville municipal code makes the Information Technology Department (ITD) responsible for the "selection, procurement, development, operation, maintenance and inventory of all communication systems". Presently ITD procures and pays for cellular phone service.

The City presently acquires cell phones and cellular service from multiple providers. There are approximately 1,600 phones the City pays for directly. Approximately two-thirds of these phones are procured from one vendor; the remaining coming from a handful of other vendors.

CONCLUSIONS

Presently, control over City cellular expenditures is weak. Although some monitoring is occurring on a micro-level, macro-level analysis is needed to identify opportunities for cost savings. As discussed below, we are recommending controls which prevent errant expenditures and a renewed focus on ITD actively managing the City cellular expenditures and monitoring the bills for irregularities. To most effectively implement these changes, the present cell phone policy will need to be modified.

DETAILED RESULTS

STOP IT BEFORE IT STARTS

We found a number of examples of charges outside of normal cellular plans. For example, we found text message usage without a texting plan, picture messaging, video downloads and roaming charges.

Internal controls which are preventative in nature are more effective than corrective or detective ones. Improper cell phone behavior should be systematically prevented, not addressed reactively. **City provided cell phones should not allow the employee to incur costs that have not been approved.** By working with the cellular providers, text messaging should be disabled by default. All data access should be disabled on non-data-plan phones. Downloading of ringtones, games and videos should be disabled on all City funded cell phones. Phones should have 'call guard' features enabled to prompt the user when roaming charges will be incurred. As a default, phones should be prevented from making international calls.

As exists now, nothing prevents such charges from being incurred.

UNUSED PHONES

We found 56 phones which went unused from December 2008 through June 2009, at a cost of \$10,110. These phones had no voice, data or text message activity. **A 'non-used time frame' should be established, after which ITD automatically shuts off cell phone service.** Such a policy would certainly have exemptions; such exemptions should be documented.

REVIEWS DON'T HAVE TO BE COMPLICATED

The present process involves physically separating bills and distributing them to individual areas. Based on our findings, it is clear that this process is not functioning to control cellular expenditures. This separation process turns a set of data best viewed at a summary level to a number of detail level data sets. This transition masks small problems that, when combined, create a bigger issue. This splitting process unnecessarily transfers the responsibility of review to a larger group of employees, tying up their time in a non-productive exercise.

We did not come upon our findings by looking through thousands of pages of bills; instead, we identified outliers in the bill data and conducted more detailed review of such outliers. **ITD, as the agency charged with budgeting, procuring and paying for cell service, should use exception based reports and other analytics to identify problems with City cell bills.** Once expected behavior is identified, controls implemented and exception based reports created, monitoring cellular expenses can become much simpler.

CALLS TO DIRECTORY ASSISTANCE

Each call placed to directory assistance (4-1-1) costs the City between \$1.25 and \$1.79. *If* each employee with a City cell phone was to dial it twice each month, we estimate the annual cost would approach \$50,000. **All employees assigned a cell phone should be instructed NOT to dial 4-1-1. Instead, they should be provided with alternative, free directory assistance services such as goog-411 (Google's 4-1-1 service).** All users with data capable phones (e.g. a Blackberry) can take advantage of the Internet to lookup phone numbers.

ITD AS AN INTERNAL SERVICE PROVIDER

Presently, using agencies and representatives from ITD discuss what kind of plan would best accommodate the agency's needs. However, nothing is ever provided to the agency or the individual which specifically notes what their plan does and does not cover. **Individuals should be given information as to what usage is within the confines of their plan and what would cause additional charges.**

Currently, using agencies are given extreme latitude over what kind of wireless service they receive. Using agencies are able to dictate the cellular carrier, make and model of cell phone, type of accessories and any service

addons (such as GPS functionality); ITD provides a channel to the cellular carrier and facilitates the using agency's needs. While ITD exists to provide service to using agencies, **ITD has a role in controlling cellular expenditures.** Just as efforts have been made to increase the control that Fleet Management has over the selection of vehicles, **so should ITD have control over the cellular services offered. As established by municipal code section 34.101, decisions on cellular service should be made by ITD, not by each department or division. This should be reinforced by the cell phone policy.** ITD should provide selected options to using agencies; from these options the using agency (with ITD) can choose what they believe best meets their needs.

There is overhead associated with managing vendor relationships. Presently the City has two main cellular carriers, as well as a smaller number of phones with at least one other carrier. This multitude of relationships complicates all processes associated with obtaining, using and paying for cellular service. Any benefits that multiple carriers bring (e.g. better coverage in an area of town) must be weighed against the additional overhead incurred. **ITD should investigate and consider procuring service from only one vendor,** thereby simplifying nearly all aspects of the City's use of cellular communication.

AGENCY COMMENTS & OUR EVALUATION

In Appendix 2 findings, recommendations and responses are listed. You will find responses italicized beneath the respective finding and recommendation.

In general we find the responses adequately address our findings and recommendations. We feel that it is important to conceptually make one entity (in our view ITD) responsible for monitoring cellular expenditures at a City-wide level; even if the monitoring is "outsourced" to another City agency, in this case the Administrative Services Division (ASD). Ultimately sharing responsibility leads to 'finger-pointing'.

Respectfully submitted,

Pamela Markham, CPA
Inspector General

APPENDIX 1 : OBJECTIVES, SCOPE AND METHODOLOGY

OBJECTIVE

This review began as a quick look into cellular expenditures, focused on determining if appropriate oversight was occurring. Our objective was to determine if there were opportunities to reduce the current level of cellular expenditures.

SCOPE

We reviewed bills from December 2008 through June 2009 from the two carriers the City conducts the most business with.

METHODOLOGY

The City's wireless carriers provide their bill data in electronic formats. Using data analysis software we looked for outliers within the billing data. For example, we identified the highest users of text messaging for a given month and were able to ascertain how the bills should look in comparison. We were then able to pull the same information across multiple months to find patterns of excessive use. We sorted and filtered the bill data to locate:

- Text message charges
- Roaming charges
- Additional services such as picture messaging and application downloads

Where applicable, we also looked for phone accounts which had no usage for multiple months, again using software to partially automate our efforts.

PERFORMED BY

This work was performed by Adam Mathews.

APPENDIX 2 : FINDINGS, RECOMMENDATIONS & RESPONSES

Finding 1

For the 7 month period, the cost of 4-1-1 calls was approximately \$1,700

It should be noted that no designed control kept these expenditures to this level. There is presently no policy which prohibits City employees from dialing 4-1-1 from a cellular device. It should be noted that you cannot dial 4-1-1 from a City desk phone (the PBX prevents it).

Recommendation 1

The cell phone policy should ban the use of 4-1-1 from City provided cell phones.

Before phones are provided to end users, they should be programmed with a selection of free 4-1-1 services.

ITD Response 1

ITD concurs that the cell phone policy should ban usage. However, systematically vendors can't turn 411 off cell phones.

In many situations cell phones are delivered directly to the customer. ITD will work through the cell phone coordinators meetings to ensure the departments are aware of these options and will facilitate training if needed. This will ensure standardization throughout the departments.

Finding 2

We found 56 phones which went unused for 7 straight months (December 2008 through June 2009). This amounts to about \$10,100.

If you include phones which went unused for 5 months then the number of phones unused jumps to 86 at a cost of \$15,100. These 5 months are not necessarily consecutive.

Recommendation 2

A non-used time frame should be established, after which ITD automatically shuts off cell phone service. This time frame should be part of the cell phone policy. It may be necessary to establish a formal exception list.

ITD Response 2

This is currently not in the cell phone policy. ITD will add to the next version of the cell phone policy. ITD will also work through ASD and the departments to disconnect any non-used cell phones they have identified through usage or billing reports they are provided by the vendors. ITD will

create a change order to request and track all cell phone disconnects.

Finding 3

No process or controls have been put into place to prevent City employees from exceeding base plan charges via their City provided cell phone. Note the following found during our review :

- 411 charges
- Text message charges
- Roaming charges
- Game purchased
- Extra fee features added to phones (such as 'visual voicemail')

Recommendation 3

The cell phone policy should be modified to more directly address expected cell phone behavior.

ITD should direct its vendors to disable functionality that is not specifically allowed. Text messaging should be disabled by default. All data access should be disabled on non-data-plan phones. Downloading of ringtones, games and videos should be disabled on all City funded cell phones. Phones should have 'call guard' features enabled to prompt the user when roaming charges will be incurred. As a default, phones should be prevented from making international calls.

It is ITD's responsibility to control cellular expenditures and to design and implement internal controls which reduce the City's risk.

ITD Response 3

ITD will work with cell phone partners, customers and the administration to disconnect or disable those features that create unnecessary extra charges. ITD will work with cell phone coordinators to ensure employees are given information as to what features and usage that are authorized on their cell phone plan.

ITD will work with ASD and the Department Cell Phone Coordinators to control and reduce the on-going cost of cell phones for the City. ITD believes this team effort is the best approach to achieve success.

Finding 4

Presently, no centralized review of cellular expenditures takes place. Present process dictates that the Administrative Services Division split the cellular bill and physically forward the individual bills out to divisions and other agencies. The current process is ineffective and inefficient.

Recommendation 4

We recommend that ITD implement a routine, analytical review of the City's cellular expenditures. Evaluating the appropriateness of these expenditures is best accomplished on a macro, not micro level.

ITD Response 4

ITD does perform (2) audits per year with each vendor to ensure best usage and practices are followed. We have had good success with addressing problems through this effort.

Finding 5

Employees are not formally apprised of the level of service they have. While discussions with ITD would result in a selection of a cellular plan, the employee (and manager) are never formally notified as to what is, and is not, part of the selected plan.

Recommendation 5

We recommend ITD devise a method of formally relaying what each employee's service arrangement provides. This should specifically detail what actions would incur additional charges and are therefore disallowed.

ITD Response 5

ITD will communicate these specific plan details to the Department Cell Phone Coordinators at monthly cell phone meetings or special meetings called to address individual issues.

Finding 6

There are presently no formalized policies and procedures for managing cellular phones within ITD.

Recommendation 6

ITD should create policies, standards and procedures to formalize internal operating parameters.

ITD Response 6

ITD will formalize a policy and procedure document through process mapping with an internal Business Analyst.