The County of Chester
Office of the Controller
Internal Audit Department

Audit Report
Wireless Devices
For the Six Month Period Ended June 30, 2009

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I. <u>INTRODUCTION</u>

The Chester County Controller's Office, in an effort to ensure best practices and efficient use of taxpayer funds and government resources, continues to conduct performance audits of Chester County departments and activities. At the request of the Chester County Controller, Internal Audit *(I/A)* has completed a comprehensive audit of the use and control of wireless devices within Chester County Government for the period of January 1, 2009 to June 30, 2009. The objectives of this audit were to (i) review the County of Chester's *(County)* policies and procedures, (ii) review the assignment, usage, and monitoring of wireless devices, and (iii) determine the costs associated with wireless devices. A significant portion of our audit involved reviewing all vendor invoices for January through June 2009. *I/A* reviewed the current inventory lists and met on several occasions with the Department of Communications and Information Systems *(DCIS)* personnel to determine current practices in place for wireless devices.

This audit was conducted in accordance with generally accepted auditing standards and standards applicable to performance audits contained in *Government Auditing Standards* published by the Comptroller of the United States.

II. <u>BACKGROUND INFORMATION</u>

DCIS is responsible for providing telecommunication services to departments within Chester County Government. Included within telecommunications is the use of wireless devices such as a standard cell phone and a personal digital assistant (*PDA*). An example of a *PDA* would be a Blackberry or an iPhone. The difference between the two devices is in the way they are used within the *County*. A cell phone is meant to be used only for voice usage, while the *PDA* can be used for a variety of services such as voice, text messages, emails, Internet service, etc.

DCIS has revised and issued the *County* "Cellular Policy" regarding *County* wireless devices in January 2009. The policy contains procedures for ordering, receiving and distribution, repairs, and billing of wireless devices. *DCIS* is in charge of administering the policy. They order the wireless devices and set up employees with the required plans from the vendors. They maintain inventories of wireless devices, provide oversight on the usage of cell phones, and approve the payment of the monthly cell phone bills. *PDA* bills are handled differently. These bills are reviewed and approved by the individual department that maintains the device.

The *County* has three wireless providers: AT&T Mobility, Verizon Wireless, and Sprint/Nextel. The *County* uses the contracts that the Commonwealth of Pennsylvania has negotiated with each vendor. The costs associated with each wireless device are dependent on the type of device, rate plan, and the amount of use. Over the six-month period of our audit, the cost of the *County's* wireless devices totaled slightly more than $194,000. We estimate that the total 2009 costs associated with wireless devices will be approximately $390,000. This would be a 25% increase in wireless costs compared to 2008 total wireless costs of just over $310,000.

III. NUMBER AND ASSIGNMENT OF WIRELESS DEVICES

I/A noted that as of June 2009, based on vendor billing records, the *County* maintained 547 wireless devices for their employees. The *County* maintained 188 wireless devices with AT&T Mobility, 135 wireless devices with Sprint/Nextel, and 224 wireless devices with Verizon Wireless. Among the 547 wireless devices, 386 are cell phones and 161 are *PDAs*. Although the total amount of wireless devices only increased by 16 from January 2009 to June 2009, there was an increase of 61 *PDAs* during this period. This 60% increase in the amount of *PDAs* over this short time period, illustrates that many employees are transferring from a cell phone to the more expensive *PDA* device. The number of cell phones actually decreased by 45 devices over this same period. A listing of wireless devices by department, identified by the vendor billing records and provided by *DCIS,* is attached to the end of this report as *Attachment A.*

DCIS maintains inventories for cell phones and *PDA* devices. The inventories keep track of the employee, department, phone number, and vendor of each wireless device. *I/A* found that the inventory list for *PDA* devices was not complete and inclusive of all wireless devices. Several *PDAs* were listed but did not have an employee name associated with the device. *I/A* also found that several employees were not included on the inventory list but were noted on the vendor billing records as having a *PDA* device. In addition, the inventory showed several cell phones that were listed as "Spare," "Vacant," "Suspended," and "Floater." All of these cell phones were used very limitedly or not at all during our six-month review. We question why some departments have a cell phone that is not assigned to anyone and why it is not used regularly or not at all.

From our review of the vendor billing records and *DCIS* inventory lists, *I/A* noted that seven employees appear to possess two *County* issued wireless devices. Three employees had two cell phones, three employees had a cell phone and a *PDA*, and one employee had two *PDAs*. *I/A* questions why any employee would need to maintain two *County* issued wireless devices when one should be sufficient.

The audit also disclosed that ten cell phones are still assigned to employees who have been terminated during 2006, 2007, and 2008. Nine of these phones are not being used but one had some limited use. The *County* however is still paying a monthly charge for service on these cell phones. When we called the nine cell phones with no usage, we noted the following: five phones went right to voice mail with the names of the terminated employees, three phones went right to voice mail but no name was associated with the phone, and one phone was answered by the terminated employee. The former employee claims he handed in the cell phone to his manager and that he is currently using his own phone under another provider. He claims that calls going to this number are being forwarded to his personal cell phone. When we called the one phone with limited use, it went to voice mail but was not the same name as notated on the vendor bill and inventory list. It appears that this department reassigned the cell phone to another employee but failed to notify *DCIS.*

Lastly, *I/A* discovered that not all of the *County* cell phones were obtained through the vendors by *DCIS*. According to the *County* policy, departments must submit a request to *DCIS*, which will then place the order with the vendor. We noted that the Department of Emergency Services *(DES)* and the Prison have obtained cell phones through Verizon Wireless without going through the proper procedures. These cell phones do not appear on the *DCIS* inventory and are not included on the monthly cell phone bill that *DCIS* receives. Instead, these cell phones are included on a *PDA* bill that is sent directly to the department.

Recommendations

***I/A* recommends** that departments evaluate and monitor the use of wireless devices within their department in order to determine which wireless device provides the best economical and effective business benefit to the *County*. Since the phone, equipment, and plan of a *PDA* costs much more than a cell phone, *PDAs* should only be provided to employees who are regularly away from their work area and need to access data and email services frequently. Departments need to provide a legitimate reason to *DCIS* explaining why it would be more economical and effective for an employee to transfer from a cell phone to a *PDA*.

***DCIS* Response:** As a provider of technical expertise and support, *DCIS* is positioned to identify devices that are compatible with the *County's* network and to work with *County* departments to explain cell phone and *PDA* features, plans and advantages between the two. It is our position that the choice of the actual mobile device and approval for such devices belongs in the hands of *County* Department Heads.

***I/A* recommends** that *DCIS* update its inventory records so that it is inclusive of all wireless devices and identifies an employee and department with every wireless device. This should be completed by comparing the inventory lists to vendor billing records and by contacting each department to verify the number of devices, the type of device, and the employee that the device has been distributed to. *DCIS* should continuously update the inventory as they order and distribute any new wireless device. In addition, departments need to be cognizant of **their responsibility** to inform *DCIS* anytime there is a change in assignment of a wireless device, an employee is terminated, or if they want to discontinue services.

***DCIS* Response:** All authorized *PDA* and cell phone contact personnel in each department are made aware that it is their responsibility to advise *DCIS* of any changes, terminations or discontinuations of service so that *DCIS* can maintain an accurate inventory. In reality, the information is not always conveyed to *DCIS* in a timely manner. As a result of this finding, *DCIS* will contact the authorized *PDA* and cell phone contact personnel in each department quarterly to remind them of their obligation to inform *DCIS* of changes.

***I/A* recommends** that *DCIS* work with the departments that have cell phones listed as “Spare,” “Vacant,” “Suspended,” and “Floater,” to determine the necessary purpose and use of these cell phones. Cell phones that are not assigned to an employee and are not being used should be discontinued.

***DCIS* Response:** *DCIS* agrees and will follow up and disconnect or reassign any device in question.

***I/A* recommends** that *DCIS* contact the departments that have an employee who appears to maintain more than one wireless device to clarify how many devices the employee actually controls and uses.

If an employee controls and uses more than one wireless device, the department must justify the business use for an employee needing more than one device. If the department cannot justify why an employee would need more than one device, *DCIS* should discontinue service for one of the devices.

***DCIS* Response**: *DCIS* concurs**.** The Mobile Device Policy states that an ITR must be submitted to *DCIS* for consideration for requests of multiple mobile devices assigned to one user. The ITR must include a business justification for the request. *DCIS* would like to clarify that many of the multiple devices that are seen on a Carrier's bill with the same employee name, are not all in use by that one person. For instance, several departments have roamer phones that are used by various staff on an as needed basis. For clarification on the bill, rather then state "Roamer Phone" for each number, *DCIS* assigns one person's name to each of these numbers. This person is the contact person responsible for knowing the location of the phones at any given moment. However, the phone is most likely used by multiple staff.

***I/A* recommends** that *DCIS* contact the departments that are paying for cell phones that are assigned to terminated employees. If the cell phone has been reassigned to another employee, *DCIS* should update their inventory list and contact the vendors to change the billing information. However, if the department is just holding on to the cell phone or cannot locate the cell phone, *DCIS* should discontinue the service on these cell phones immediately.

***DCIS* Response:** *DCIS* agrees and will follow up and disconnect or reassign any device in question.

***I/A* recommends** that *DCIS* contacts each vendor and request that the vendors only accept requests for new wireless devices from an authorized *DCIS* employee. *DCIS* should also remind all departments that any requests for additional wireless devices must go through the proper procedures outlined in the *County* policy. No one from any other department should be contacting the vendor for any request. *DCIS* should transfer these cell phones to the monthly bill that contains all cell phone accounts from this vendor and add them to their inventory list.

***DCIS* Response:** *DCIS* concurs and has made all vendors aware that they should only accept changes and orders from a *DCIS* authorized person with the exception of *DES*. *DES* has been excluded because that department has dedicated employees who can do this.

IV. WIRELESS COSTS

The *County* uses the following three vendors to provide wireless services for cell phones and *PDA's*: AT&T Mobility, Verizon Wireless, and Sprint/Nextel. The *County* uses the rate plans included in the contract that the Commonwealth of Pennsylvania has negotiated with each vendor. The contract for each vendor provides several rates for the different types of voice and data plans that the *County* can choose from. Voice and data plans are purchased for all *PDAs* but only voice plans are purchased for cell phones. The *County* also pays additional charges for text plans associated with *PDAs*.

The *County* incurred many other charges in addition to the monthly plan rates. These charges include the following:

- Cost of cell phones, *PDAs*, and miscellaneous equipment
- 411 directory assistance fees
- Roaming and long distance charges
- "Pix Flix" and text messaging charges
- Data downloads and data transfer charges
- Usage charges for going over the plan minutes
- Miscellaneous fees
- Monthly subscriptions for games, music, ring tones, etc.

A. Vendor Costs for Voice, Data, and Text Plans

AT&T Mobility

The *County* uses three voice plans for cell phones through AT&T Mobility. The monthly rates for these plans are $24.00/month, $56.00/month, and $164.00/month depending on how many voice minutes are provided. For each *PDA* device, the *County* pays $40.00/month for the voice plan and additional $45.00/month for the data plan. Text plans are an additional charge and range from $5.00/month to $20.00/month.

Verizon Wireless

The *County* uses a variety of voice plans for cell phones through Verizon Wireless. The monthly rates for these plans range from $30.00/month to $58.00/month depending on how many voice minutes are provided. For *PDA* devices the *County* uses three monthly plans, which depending on the minutes in the plan cost $50.00/month, $63.00/month, and $75.00/month. These plans include voice, data, and texts all in the one monthly charge.

Sprint/Nextel

The *County* also uses a variety of voice plans for cell phones through Sprint/Nextel. The monthly rates for these plans range from $19.00/month to $67.00/month depending on how many voice minutes are provided. For most *PDA* devices, the *County* pays $45.00 for the voice and data package and only a couple employees have a higher rate plan of $55.00. The text plans are an additional charge and range from $7.50/month to $10.00/month.

Recommendations

***I/A* recommends** that *DCIS* continue to provide the most economical plan for every employee based on the employee's needed business use. *DCIS* should scrutinize the monthly vendor bills when reviewing the amount of minutes employees use. This will address the need to either lower or increase the employee's plan based on their usage. The *County* will be able to save money by putting employees into lower plans with a lower rate or increasing the rate plan to avoid extra usage charges for going over the allowed minutes of the plan. Since the vendors charge for every minute over the allowed amount of the plan, it appears in most instances it would be more economical to put an employee who consistently goes over their planned minutes into a higher plan.

***DCIS* Response:** *DCIS* concurs that the most economical plan should be assigned and used. *DCIS* explains all plans available at the time of request and/or purchase. Currently, departments review and submit for payment of their own bills. After reviewing a bill each month, departments should bring any needed adjustments to *DCIS's* attention. *DCIS* receives and reviews the bills for all *County* issued cellular phones.

***I/A* recommends** that *DCIS* also continue to monitor the total amount of pooled minutes the *County* is paying for. With pooled minutes, employees' plan minutes are lumped together into a group and the *County* is only charged extra if the total minutes used among that group are over the total amount of pooled minutes. This enables the *County* to save money by purchasing lower rate plans for many employees who would need a much higher rate plan. However, *I/A* noted that the *County* could save some additional money by decreasing the amount of pooled minutes for some groups. For example, all employees with cell phones from AT&T are grouped into one pool of minutes. The difference between the amount of monthly-pooled minutes and the actual monthly minutes used averaged to be an extra 8,815 minutes. It appears that the *County* could decrease some of the higher pooled minute plans to a lower rate plan without the risk of going over the total monthly pooled minutes for the group.

***DCIS* Response:** *DCIS* monitors the pooled minutes on Sprint and Verizon plans and makes changes accordingly.

B. Cost of Cell Phones, *PDAs*, and Miscellaneous Equipment

AT&T Mobility

The *County* does not get charged for most cell phones obtained from AT&T Mobility. AT&T provides a list of cell phones in their "free category" that the *County* can choose from. The *County* does incur a cost if an employee requests a certain cell phone that is not included in this "free category." According to *DCIS*, this does not occur frequently, and there were no instances during our audit of 2009. Only a few instances have occurred in the past and the average cost to the County was $50.00 per cell phone. None of the *PDAs* from AT&T Mobility are included in the "free category," however the *County* does receive a considerable discount for a new phone line or for an upgrade on a *PDA* that is at least 18 months old. The discounted prices for a *PDA* range from $50.00 to $300.00 depending on the device. If an employee loses the *PDA* or wants to replace the *PDA* and it is not at least 18 months old, the *County* is charged the full retail prices that range from $300.00 to $750.00.

Verizon Wireless

The costs of cell phones and *PDAs* through Verizon Wireless are similar to AT&T Mobility. The *County* is only charged for cell phones that are not on the "free category" list. According to *DCIS*, there were no instances of employees requesting a cell phone that was not free during 2008 and 2009. The *County* can obtain two *PDA* devices at no cost and the other devices are at a considerable discount. The discounted prices for a *PDA* range from $50.00 to $150.00 depending on the device. The *County* is charged the full retail price if an employee loses the *PDA* or wants to replace the *PDA* and it is not at least 10 months old. The full retail prices range from $300.00 to $560.00.

Sprint/Nextel

Sprint/Nextel does not provide a "free category" list of cell phones to the *County*. The *County* is charged anywhere from $11.00 to $107.00 per cell phone. According to *DCIS*, the average cost per cell phone was $36.00 during our review of 2009. Sprint/Nextel charges the *County* the same prices for *PDAs* no matter what the reason is for purchasing the device. The prices for a *PDA* range from $50.00 to $200.00.

The *County* also incurs charges for purchases of additional equipment for the cell phones and *PDAs*. The purchase of additional equipment is usually for headsets, car chargers, AC chargers, etc. During our six-month review, the *County* incurred an additional $3,100.00 in equipment charges.

Recommendation

***I/A* recommends** that *DCIS* continue to provide employees cell phones from the "free category" list from AT&T Mobility and Verizon Wireless. *DCIS* should also purchase cell phones from Sprint/Nextel and *PDAs* from all three vendors at the most economical cost. If a department requests a certain cell phone or *PDA* that is not the best economical choice, the department must substantiate why that wireless device is not sufficient for their business needs. In addition, employees should not be requesting a new *PDA* device unless the phone needs to be upgraded and is over the required holding period for each vendor. This will prevent the *County* from paying the much higher retail price.

***DCIS* Response:** *DCIS* agrees with this in principal, however, departmental needs occasionally dictate that other devices be selected.

C. Directory Assistance Fees

I/A noted that many employees are using the "411" directory assistance service. This service is not included in any of the vendors' plans and is an additional charge every time this service is used. AT&T Mobility and Sprint/Nextel charge $1.79 per call and Verizon Wireless charges $1.25 per call for directory assistance. During the six-months under review, the *County* was charged a total of $1,212.67 for 755 calls to directory assistance.

Recommendation

***I/A* recommends** that *DCIS* amend the *County* policy to address and limit directory assistance calls. Employees should be more diligent in trying to reduce the calls made to "411" directory assistance. In order to reduce costs, employees should use directory assistance as a final option.

***DCIS* Response:** There is currently no way to block "411" or "610-555-1212" calls from cell phones and *PDAs*. *DCIS* informs each department, at the time of the issue that Directory Assistance calls result in additional charges. The *DCIS* policy will be updated to include a statement limiting Directory Assistance phone calls from *County* issued cell phones and *PDAs*.

D. Roaming and Long Distance Charges

I/A noted a few instances where the *County* incurred roaming and long distance charges for cell phone use while employees were out of the country. In these instances, the charges appear to be from employees using their cell phones while they were on vacation. These charges totaled $482.44 during our six-month review.

Recommendation

***I/A* recommends** that *DCIS* amend the *County* policy to address and prohibit employees from using *County* provided cell phones while outside of the country. If an employee needs to use their *County* provided cell phone for business use while they are out of the country, they must get their department manager's written approval and validate every call. The employee should reimburse any roaming and long distance charges associated with a call that cannot be validated as a business call.

***DCIS* Response:** *DCIS* agrees that charges of a personal nature should be reimbursed by the employee. *DCIS* will discuss the cost-effectiveness of requiring written approval and validating every call.

E. Additional Usage Charges not Included in the Vendor Plan

The *County* is incurring many other charges in addition to the charges for the individual rate plans. These other charges include "Pix Flix" and text messaging charges, data downloads and transfer charges, and charges for going over the allowed amount of minutes included within the plan. The *County* is incurring additional charges either from employees using these services that are not included in their plan or from employees using these services in excess of what their individual plan allows. *I/A* noted that the charges for using these services were in excess of $11,000.00 during our six-month review.

Recommendation

***I/A* recommends** that *DCIS* communicate and explain to all employees how many minutes and what features are included within their individual plan. Employees should use their cell phones and *PDAs* responsibly to avoid going over the allowed minutes of the plan and from incurring additional charges. Data and messaging features should be blocked for all cell phones since these services are not included with the vendor plans currently purchased by the *County*. If a department decides that they absolutely need these features for their employees, the department should work with *DCIS* to see if upgrading the current plan to include data and messaging features would have an overall savings. If not, then these features should only be used for limited business purposes.

***DCIS* Response:** *DCIS* communicates to employees how many minutes and what features are included within their individual plan. *DCIS* explains to employees that they should use their phones responsibly and not go over their allotted minutes.

F. Miscellaneous Fees

I/A noted that the *County* incurred charges for miscellaneous fees. Some of the miscellaneous charges were for activation fees, upgrade fees, and transfer of service fees. All of these charges were on the *PDA* bills, which are reviewed and paid by the individual departments. *I/A* noted approximately $300.00 of additional charges in miscellaneous fees that were inappropriately assessed and should not have been paid.

Recommendation

***I/A* recommends** that *DCIS* notify the departments that they should not be paying any miscellaneous fee such as activation fees. If the department notices these charges on their bill, they should notify *DCIS* to inform them about the charges. *DCIS* should contact the vendor representative to receive a credit for these charges. In almost all circumstances, *DCIS* is able to get the vendor to waive any miscellaneous fee.

***DCIS* Response:** The *County* is not responsible for paying any activation fees, transfer fees, or PA State Sales Tax. Departments are informed of this when they receive a new *PDA* and are advised to be aware of these charges when reviewing their bills and to contact *DCIS* for credits if they are incorrectly billed.

G. Monthly Subscriptions for Games, Music, Ringtones, etc.

I/A noted that the *County* is incurring charges for monthly subscriptions of downloads from the Internet for games, music, and ringtones. Employees should know that charging downloaded games, music, and ringtones to a *County* provided cell phone is inappropriate and unacceptable. These types of downloads have no business related purpose and the *County* should not be paying for an employee's entertainment. *I/A* noted nine employees who downloaded these features to their *County* provided cell phone. These monthly subscription charges ranged from $3.49 to $9.99 per month. Some of the monthly subscriptions were for daily horoscopes, super KO Boxing and Deal or No Deal games, additional ringtones, and Sony music box service.

Recommendations

***I/A* recommends** that *DCIS* amend the *County* policy to prohibit downloads of games, music, ringtones, and any other Internet service that charges an additional monthly subscription charge. Employees who download such features to their *County* provided cell phone should reimburse the *County* or have their cell phone privileges terminated.

***DCIS* Response:** The Mobile Device Policy states that "only authorized *DCIS* staff members are allowed to install any necessary software and utility tools on mobile devices."

***I/A* recommends** that *DCIS* contact each vendor to see if blocking access of all such downloads to *County* provided phones is possible.

***DCIS* Response:** Downloads of games, music, ringtones, and any other Internet service that charge an additional monthly subscription charge can be blocked on cellular phones but not on *PDAs*. Currently *DCIS* blocks this service on cellular phones based on the request of the Department Head.

V. PERSONAL USE OF CELLUAR PHONES

The current *County* "Cellular Policy" administered by *DCIS* states the following:

> *"County cellular telephones are the County of Chester's property **intended for business use.** The County prohibits use of cellular phones in ways that are disruptive, offensive to others, or harmful to morale. All forms of harassment are prohibited. Cellular usage is intended for job-related activities, while **incidental and occasional personal use** is permitted within reasonable limits."*

During our audit, *I/A* noted that a large amount of cell phone users are using their *County* provided cell phone for personal use. In many instances, *I/A* found that the personal use was not within a reasonable amount and did not fall under the "incidental and occasional personal use" allowed within the *County* policy. It was evident that many of these employees are using their *County* cell phone for their own personal use more than they used it for actual business use. In many instances, *I/A* found that more than 50% of the minutes used a month were for personal use and in some extreme cases, *I/A* noted that personal use added up to 90% of the monthly minutes used. For example, *I/A* was able to determine that one employee averaged 420 voice minutes a month and at least 315 of these minutes were for personal calls. On average, this one employee used his/her *PDA* 75% of the time for personal use. In this example, the *County* did not incur any additional charges for the personal calls since the employee never exceeded the plan minutes, which provides 450 anytime minutes and 5,000 night and weekend minutes.

This however, is not always the case. *I/A* noted that some employees do incur additional charges because of extensive personal use. *I/A* found one employee who was charged $0.45 per minute for going over their *PDA's* monthly plan of 200 anytime minutes. In three months, this employee was charged for 196, 439, and 469 additional minutes over their allowed amount. This totaled to an additional $496.80 of charges in just three months. When *I/A* looked at the detail of calls from their bill, *I/A* noticed a majority of calls during these three months were to one phone number, which was identified by the employee as their spouse's cell phone. *I/A* determined that calls to this one number accounted for 61%, 88%, and 91% of the monthly minutes used. If the employee kept the minutes and number of calls to their spouse to a reasonable amount, the *County* would not have incurred the additional charges during these three months.

I/A also found instances where employees incurred additional charges for personal use although they did not go over their allowed plan minutes. In these examples, the additional charges were for roaming and long distance charges associated with personal calls. One employee was charged for using their cell phone for 147 minutes while on vacation in Jamaica. Since the calls originated from Jamaica, the County incurred an additional $101.43 in roaming charges and $45.06 in long distance charges. Another employee used their *PDA* for 112 minutes, while on a cruise and incurred an additional $215.30 in roaming charges. However, in this example *DES*, for whom the employee worked, did not pay for the additional charges the employee incurred. The department made the employee reimburse the *County* for the charges. Unfortunately, this appeared to be the only example *I/A* found of an employee reimbursing the *County* for any additional charges incurred because of personal use.

I/A was unable to determine the full extent of personal use of *County* provided cell phones. Although *I/A* analyzed all *PDA* bills, there were several billed accounts that did not contain the detail of the calls made. Therefore, *I/A* was not able to see who these employees were calling and determine if any calls were for personal use. *I/A* also was not able to analyze the calls of every cell phone because of the high volume of *County* provided cell phones. *I/A* selected a sample of 40 employees to analyze, which was approximately 10% of the population. Even with this sample, most of the time *I/A* was not able to determine if a call was for personal or business use by using a reverse phone search. Many of the numbers searched either came up as "wireless cell phone" or "land line." *I/A* only counted phone numbers as personal use that we could verify from the reverse phone search or by asking the employees themselves in circumstances where a number was called excessively. Therefore, based on the findings from the sample of employees analyzed and verified, *I/A* concludes there is a reasonable possibility that many more employees are abusing their *County* cell phone privileges by using them for excessive personal use.

I/A would also like to address that the personal use of a *County* provided cell phone raises special tax concerns, since these items are "listed property" under the Internal Revenue Code of 1986, as amended. According to the Internal Revenue Service, items that are considered as "listed property" are subject to the following substantiation requirements:

> *"To be able to exclude the use by an employee from taxable income from an employer-owned cell phone, the employer must have some method to require the employee to keep records that distinguish business from personal phone charges. If the cell phone is used exclusively for business, all use is excludable from income (as a working condition fringe benefit). The amount that represents personal use is included in the wages of the employee. This includes individual personal calls, as well as a pro rata share of monthly service charges.*

In general, this means that unless the employer has a policy requiring employees to keep records, or the employee does not keep records, the value of the use of the phone will be income to the employee."

Recommendations

***I/A* recommends** that *DCIS* send a *County* "Cellular Policy" to all employees in possession of a *County* cell phone or *PDA* to reinforce the *County's* policy on personal use of *County* cell phones. It is the department's responsibility to make sure all their employees who have a cell phone know the policy and to make sure they are following it. *DCIS* should also have all current and future employees sign a "contract" stating that they have read and agreed to the terms of the *County's* policy.

***DCIS* Response:** The Mobile Device Policy is stored on WebCC. *DCIS* will develop an acknowledgment "form" that all current and future mobile device assignees will sign.

I/A* recommends** that *DCIS* look into revising the *County* policy concerning the section on personal use. *I/A* recommends that they expand on and define what is considered "incidental and occasional personal use***." Such clarification would reduce/eliminate employee interpretation of what is considered reasonable. When updating the policy, *DCIS* should also take into consideration the Internal Revenue Service's substantiation requirements for cell phones ("listed property") to avoid possible tax issues and penalties. If the *County* continues to allow employees to use their *County* provided cell phone for personal use, it should be treated as a fringe benefit and personal use is taxable to the employee's wages. Employees must be able to substantiate what is business and personal use on their detailed bills or maintain records of their use. If these records are not provided by the employee, the value of the use of the phone is considered as wages to the employee.

***DCIS* Response:** *DCIS* will revise the *County* policy.

***I/A* recommends** that *DCIS* hold all *County* employees up to the standards of the employees in their own department. The policy for the department of *DCIS*, which augments the "Cellular Policy" for the County, states that:

"DCIS employees granted the use of a County-provided cell phone are not allowed to use the County cell phone for personal calls unless it is an emergency. Any non-County business-related use must be reported to the employee's manager immediately. The DCIS employee reimburses the County within ten days of notification for any charges incurred as a result of personal use of the County-provided cell phone. Managers have the responsibility to monitor the appropriate use of County-provided cell phones granted to their staff and to ensure compliance with the policy."

These statements should be added to the *County* policy to hold all employees responsible for their personal use and to remind management that they have a responsibility to monitor their department's usage of *County* cell phones.

***DCIS* Response:** *DCIS* is in the process of revising its own policy to reflect contemporary technology and pricing plans. *DCIS* will amend the *County* policy accordingly.

***I/A* recommends** that *DCIS* should continue to review the regular cell phone bills they receive and look for employees who regularly use their cell phones excessively or for any unusual amount of calls or minutes used in a month. *DCIS* should review the detailed report to see if there are excessive calls to numbers that appear to be personal. *DCIS* should then send the report to the department and ask them to identify and verify the business use of the numbers in question.

***DCIS* Response:** *DCIS* monitors cell phone bills for excessive usage over the chosen plan. *DCIS* cannot determine if calls are personal or business related. Detail bills can be provided to departments to review for this purpose.

***I/A* recommends** that *DCIS* add a section to the *County* policy to include appropriate uses of *PDA's*. Since it is evident that many *County* employees are switching over from a cell phone to a *PDA*, it is important that the *County* have a policy to include the special features of a *PDA* such as the appropriate uses of text messaging, data transfers, downloads, and Internet usage. This section of the policy should include a requirement for the department manager to sign a statement attesting to the review and approval of their department's usage. This requirement will hold the department manager accountable for his/her department's usage and should encourage them to carefully evaluate and review the department's bills on a monthly basis. *I/A* feels this step is necessary to ensure some oversight over the use of *PDAs* since *DCIS* does not receive or review these bills.

***DCIS* Response:** The Mobile Device Policy covers mobile computers such as *PDAs* and mobile telecommunication devices such as cellular phones. *DCIS* agrees that personal usage should be kept to a minimum. *DCIS* will discuss the cost-effectiveness of requiring department manager tracking of such usage.

VI. <u>LIMITED USE OF WIRELESS DEVICES</u>

Our review of AT&T Mobility, Verizon Wireless, and Sprint/Nextel bills revealed that many cell phones issued to employees had little to no use over the six-month period of our audit.

According to the vendor bills, there were 49 cell phones that were not used during this period and 36 of these cell phones were still activated as of June 30, 2009. These 49 cell phones cost the *County* $6,750.29 during this six-month period and the 36 cell phones that are still activated will continue to cost the *County* approximately an additional thousand dollars a month.

I/A also found an additional 60 cell phones that were used on a very limited basis. These phones were only used for approximately 30 minutes or less during the six-month review and 50 of these cell phones are still activated as of June 30, 2009. This averages out to only 5 minutes of use a month. These 60 cell phones with limited use cost the *County* $8,868.78 during this six-month period and the 50 cell phones that are still activated will continue to cost the *County* approximately an additional $1,500.00 a month.

In conclusion, the *County* will continue to pay approximately $2,500.00 a month or $30,000.00 a year to provide cell phones to employees with minimal (5 minutes per month) to no usage. *I/A* questions why the *County* would continue to pay for service of cell phones for these employees when it appears they do not need them.

<u>Recommendation</u>

***I/A* recommends** that in the interest of reducing expenses for cell phones, *DCIS* should monitor the monthly bills to determine what cell phones consistently have little to no use. They should notify the appropriate departments and require them to provide a legitimate reason why the *County* should keep paying for these employees to have a cell phone. If the department cannot provide a reason for the necessary use or show that the *County* is benefiting from providing a cell phone to the employee, then the access of the cell phone should be discontinued. Employees who do not have a need for a cell phone but who only occasionally use a cell phone for *County* business can be reimbursed for the use of their personal cell phone for *County* business.

***DCIS* Response:** *DCIS* reviews cell phone bills quarterly to determine consistent minimal usage and notifies the department of the situation.

VII. <u>DETAILS OF CALLS INCLUDED IN MONTHLY BILLS</u>

During the audit, *I/A* noted several bills for *PDA's* that did not contain an itemized list of details for the calls, text messages, and data transfers made during the billing period. Without the detailed bills, *I/A* could not complete the required testing to determine if the employee was using their *PDA* for business or personal use. This only occurred with certain *PDA* bills and was not a problem with the cell phone bills. *I/A* noted that this was an issue with all three vendors and specifically there were five accounts with AT&T Mobility, eight accounts with Verizon Wireless, and one account with Sprint/Nextel. *I/A* was not able to determine if this was a result of each department being in charge of reviewing and paying their own bills instead of *DCIS*. Although *I/A* was not able to confirm whether the departments actually requested that the vendor stop sending the details of the bill, *I/A* did confirm that a department is able to contact the vendor without going through *DCIS* and request that the details not be sent with the bill.

<u>Recommendations</u>

***I/A* recommends** that all *PDA* monthly bills contain an itemized list of details for all calls, text messages, and data transfers. The details are essential in order to properly review the bills to see if the employee is using the *PDA* appropriately according to the *County* policy. This will also enable *I/A* to perform proper testing in future audits.

***DCIS* Response:** *DCIS* has contacted all *PDA* vendors to assure that *County* departments receive this detail monthly.

***I/A* recommends** that *DCIS* contact each vendor to request that all *PDA* monthly bills contain the itemized list of details for calls, texts, and data transfers. Since the vendors do not charge any extra fees for detailed bills, *I/A* does not see any reason why the *County* should not take advantage of this benefit.

***DCIS* Response:** *DCIS* has contacted all *PDA* vendors to assure that *County* departments receive this detail monthly.

***I/A* recommends** that *DCIS* contact each vendor and request that the vendor only accept account changes from an authorized *DCIS* employee. *DCIS* should also remind all departments that any changes to their accounts must be done by someone in *DCIS*. No one from any other department should be contacting the vendor to request changes to an account.

***DCIS* Response:** *DCIS* concurs and has made all vendors aware that they should only accept changes and orders from a *DCIS* authorized person with the exception of *DES* and the Prison. *DES* and the Prison have been excluded because both the Prison and *DES* have dedicated employees who can do this.

VIII. MONTHLY BILLING ALLOCATIONS PER DEPARTMENT

I/A noted that *DCIS* is not charging the departments their actual billable charges they incur on a monthly basis. This appears to be happening only with the AT&T Mobility monthly bills for cell phones. *DCIS* receives one monthly bill for all employees who have a regular cell phone with AT&T Mobility. As of June 2009, there were 164 employees within 29 departments with cell phones from AT&T Mobility.

The vendor's bill shows the breakdown of the total monthly charges by each department and then by each employee within that department. The breakdown shows the monthly billable charge to each employee, which includes the monthly rate plan plus any additional usage charges incurred. *DCIS* prepares a chargeback spreadsheet that lists each department's account string to show what charges the department will incur to their budget. Instead of charging the department's account string for the actual billable charges on the vendor's bill, *DCIS* distributes the total monthly charge equally among the departments based on the number of phones the department has. As a result, every department is billed the same amount per phone.

This becomes an issue since some departments are incurring additional usage charges, while other departments are staying within the cost of the monthly rate of their plan. For example, in February 2009 the rate for employees with the plan for 100-pooled minutes was $25.98. Therefore, a department with employees who did not incur any additional usage charges should have been charged $25.98 per phone, but were actually charged $33.60 per phone after *DCIS* distributed the extra usage charges evenly throughout each cell phone. Although this is only an additional $7.62, it can add up for a department like Aging that had 31 employees with *County* provided cell phones during February 2009. If the employees in the Department of Aging did not incur any additional usage charges that month, the department would have paid an extra $236.22 out of their budget for expenses incurred by other departments. This could add up to be an extra $2,835.00 annual expense for the Department of Aging.

Conversely, some departments are actually benefiting from distributing costs equally among all departments. Several employees consistently incur additional usage charges that increase their bill two to four times the amount of the planned rate. For example, *I/A* noted a couple of employees that actually incurred up to $700.00 of charges but their departments were only charged about $190.00 over the same period.

DCIS claims they use this equal distribution technique since they need to have a few employees with a higher amount of pooled minutes so the *County* as a whole is not charged for going over the total pooled minutes of all employees under AT&T Mobility. The rates for the plans with more pooled minutes are naturally higher than the rate plan for 100-pooled minutes.

Recommendations

I/A **recommends** that *DCIS* stop using this equal distribution technique to charge departments for AT&T Mobility monthly bills. Instead, they should charge the department for the actual charges billed to each employee of the department. Those departments that continue to allow their employees to use certain services not covered under the vendor plan should incur those additional usage charges to their own budget.

DCIS **Response:** *DCIS* is currently in the process of reviewing cost allocations to individual departments for the AT&T cellular bill.

I/A **recommends** that *DCIS* continue to have a couple of employees with a rate plan for more pooled minutes so the *County* is not charged extra for minutes over the total pooled minutes. Paying for a couple of employees with a higher pooled minute rate plan is still cheaper than paying for every minute used over the total amount pooled. However, instead of just choosing these employees at random *DCIS* should choose employees who consistently have the highest number of minutes used a month. *I/A* noted that only seven employees had higher pooled minutes than the usual and cheapest 100-minute rate plan. Five employees had the 1,000-minute rate plan and two employees had the 6,000-minute rate plan. Since there are several employees who average up to 1,000 minutes per month and a couple of employee who average well over 1,000 minutes a month, *DCIS* will be able to charge these employee's departments for the higher rate plans without an issue.

DCIS **Response:** *DCIS* is currently in the process of reviewing all pooled plans to cut or add minutes as needed.

IX. CONCLUSION

I/A recommends that the *County's* "Cellular Policy" be revised to address the findings and recommendations we have addressed in this report. The revised policy must obtain the Commissioner's approval before its implementation. The revised policy needs to address the following issues:

- Excessive personal use of *County* provided cell phones
- Process for employee reimbursement of personal use
- Additional charges that are not included in the provided plan
- Inappropriate charges from downloads of games and ringtones
- Authorization of *DCIS* to adjust employee plans, block access, and discontinue service when necessary
- Responsibilities of the departments that maintain wireless devices

In addition, the departments and *DCIS* need to communicate with each other frequently to ensure that both sides know of any changes in assignment, plan services, cost of services, and usage. This is essential in order to keep wireless costs down and to ensure that the *County* is receiving the best cost benefit from providing wireless devices to its employees.

I/A would like to thank the management and staff of *DCIS* for their cooperation and assistance during the course of this audit. A closing conference was held on September 15, 2009 with *DCIS* to discuss the recommendations and outcome of the audit. *DCIS* has also been given an opportunity to respond to the findings and recommendations presented within this report.

Attachment A

DEPARTMENT	# of CELL PHONES	# of PDAs	Grand Total
Aging	29	2	31
Adult Probation	28	2	30
Assessment	1	-	1
Bail	6	-	6
Commissioners	2	8	10
Contreacts & Purchasing	2	-	2
Controller	1	-	1
Coroner	2	-	2
Courts	12	4	16
Children, Youth & Families	17	2	19
Department of Community Development	-	4	4
DCIS	3	31	34
Department of Emergency Services	30	42	72
Detectives	1	30	31
Department of Human Services	2	1	3
District Attorney	1	-	1
Domestic Relations	7	-	7
Drug & Alcohol	2	-	2
Facilities	47	1	48
Finance	-	2	2
General Services	2	-	2
Health	8	6	14
Human Resources	-	1	1
Juvenile Probation	3	2	5
Libraries	7	-	7
Mental Health / Mental Retardation	11	4	15
Office of Managed Behavioral Health Care	3	-	3
Open Space	-	1	1
Parks	30	-	30
Planning	-	8	8
Pocopson	5	-	5
Prison	75	6	81
Public Defender	2	-	2
Recorder of Deeds	-	2	2
Sheriff	23	-	23
Solicitor	2	-	2
Treasurer	-	1	1
Veterans Affairs	1	-	1
Voters	1	-	1
Water Resource Authoirty	3	1	4
Warrant Enforcement Bureau	3	-	3
Youth Center	14	-	14
Totals	386	161	547