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Telephone Expense Audit

October 1, 2018



**City of Fort Worth
Department of Internal Audit**

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The Telephone Expense Audit was conducted as part of the Department of Internal Audit's Fiscal Year 2018 Annual Audit Plan.

Audit Objectives

The objectives of this audit were to determine whether:

- billings for telephone expenses are accurate and reasonable; and,
- the oversight and maintenance of the telephone expense process is effective and efficient.

Audit Scope

Our audit covered the period from October 1, 2015 through September 30, 2017. Activity beyond this period was reviewed as deemed necessary.

Opportunities for Improvement

- Enhanced department-level monitoring of phone usage and charges
- Improved review and payment of vendor bills
- Individual accountability
- Cost efficient service plans
- Proper management of used mobile devices
- Limited access to vendor web portals
- Blocked international/cruise calls when appropriate
- Citywide mobile device policy

Executive Summary

As part of the Fiscal Year 2018 Annual Audit Plan, the Department of Internal Audit conducted a Telephone Expense Audit. We concluded that while telephone expense oversight improved by FY2017, monitoring by departments was not adequate to detect errors or overcharges. Additional controls are necessary to manage telephone expenses adequately.

The Department of Internal Audit identified 504 cell phones/mobile devices that incurred \$130,093.85 in charges (during seven consecutive months ending with the September 2017 billing), although there was zero reported voice/data usage for those devices during that time period. In addition, we identified 61 phones assigned in the names of terminated employees, although many of the phones had been reassigned to replacement employees.

During FY2017, the City paid approximately \$28,000.00 for landline telephone services at locations that no longer had City facilities or functions. In addition, late fees and avoidable sales taxes totaled \$20,142.12.

Unnecessary pager charges were identified, including pagers with nationwide or statewide coverage, insurance/maintenance plans that were not considered necessary and pagers that were no longer needed or used by departments.

Departments retained 262 cell phones after users upgraded to new phones. Departments reported a lack of guidance regarding the sale, reuse, or disposal of used phones.

Rates charged for cell/mobile service were generally consistent with contract terms. However, we found 36 devices that had a non-contract (higher cost) service plan selected, resulting in approximately \$4,300.00 in higher charges.

Controls were not configured to block calls during vacation cruises or to block international calls on phones without an international roaming or cruise plan, resulting in charges of approximately \$3,400.00 in FY2017.

We identified 968 cell phones and mobile devices that were not assigned to an individual, or alternatively, to equipment that is traceable to a responsible individual. For example, there were multiple devices assigned to "Police Police," "Water Water," "PACS PACS," etc.



There are no written procedures aimed specifically at the management of mobile devices. Departments currently receive monthly phone usage reports. However, monthly reports were reported by departments to have been provided sporadically before FY2017. We also identified non-Information Technology Solutions Department employees with “full access” to mobile vendor account management portals.

These findings are discussed, in further detail, within the [Detailed Audit Findings](#) section of this report.



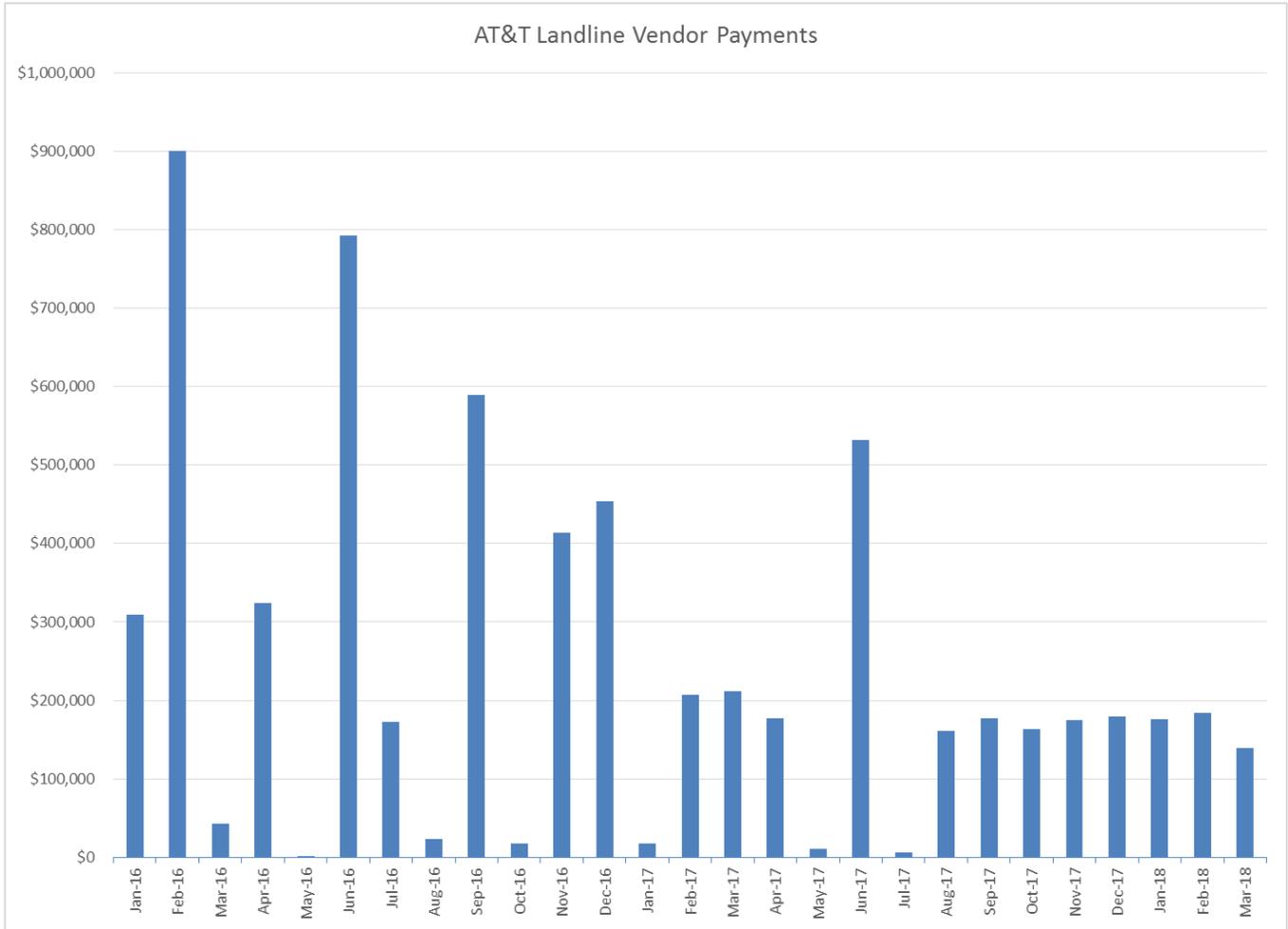
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Background

During our FY2017 data analysis of City expenditures, the Department of Internal Audit noted large fluctuations in telephone vendor payments. As a result, an audit for telephone expenses was included in the FY2018 Annual Audit Plan. The following graph illustrates monthly phone expense fluctuations from January 2016 through July 2017. The graph also reveals subsequent stabilization.



Source: CFW procurement card vendor payment data

The Information Technology Solutions (ITS) Department manages telephone service contracts for the City. ITS also maintains landline phone services at City facilities, and orders cellular/mobile services from vendors upon request. Landline and mobile services are contracted under the Texas Department of Information Resources (DIR) and the US General Services Administration cooperative agreements.

Landline phone (voice) services include desktop phones which often use the same network infrastructure that is used for data, internet, and other networked services. The City of Fort Worth's (CFW) landline vendors include AT&T, Zayo Group Holdings, Level 3 Communications, DIR and others.



Landline Telephone, Network & Internet Service Vendors
FY2016 and FY2017

Vendor	FY2016	FY2017
AT&T	\$3,506,980	\$2,385,555
Zayo Group Holdings	\$130,069	\$1,186,154
Level 3 Communications	\$431,066	\$496,469
Texas Dept. Information Resources (DIR)	\$433,422	\$337,117
Charter/Spectrum *	\$188,906	\$279,737
Affiliated Telephone	\$307,217	\$114,873
Frontier Southwest Inc.	\$9,044	\$8,174
Value Choice/OneSource	\$5,258	\$4,490
Total	\$5,011,962	\$4,812,569

*Includes cable television charges

Source: CFW General Ledger/AP Files/P-Card Records

Landline expenses are allocated to departments by dividing the City’s annual budgeted landline expenses by the approximate 6,090 landlines (to arrive at a per landline amount). Departments are then charged for the number of lines within each department. For the FY2019 proposed budget, landline costs are not allocated separately, but are included in the network service charge.

Cell phone and mobile devices, totaling 5,049, include AT&T Mobility and Verizon devices, air cards, cell phones and tablets, as of September 2017. Other cellphone and mobile device vendors reviewed had minimal charges and were, therefore, not included in this analysis.

ITS provides a selection of over 120 device options with different contract plans available. AT&T Mobility and Verizon are the City’s primary mobile phone vendors with a variety of available plans. The most common AT&T Mobility plan is a “pooled” voice plan that allows minute overages to be offset by unused minutes. The majority of Verizon plans were broadband data-only plans, although the smaller number of Verizon voice phones were also on a pooled voice plan.

The Air Card column, in the following table, includes wireless cellular networking devices, but does not include cell phones. The Cell Phone column includes both smart and limited-function phones.



Cell Phone and Mobile Device Count
September 2017 Interface

Department	Total	Air Card	Cell Phone	Tablet
Police	2,096	1,350	691	55
Water	771	232	412	127
TPW	625	371	189	65
Code Compliance	415	142	258	15
Fire	329	199	112	18
IT Solutions	191	105	77	9
Park & Recreation	162	36	112	14
Planning & Development	78	0	41	37
Property Management	73	8	61	4
Neighborhood Services	72	19	48	5
City Manager's Office	68	9	38	21
Municipal Court	52	7	27	18
Public Events	42	3	17	22
Library	27	8	13	6
Aviation	13	5	7	1
Human Resources	11	0	10	1
Economic Development	10	2	7	1
City Secretary's Office	5	0	2	3
City Attorney's Office	3	0	3	0
Comm. & Public Engagement	3	1	2	0
Finance	3	0	3	0
Total	5,049	2,497	2,130	422

Note: Device classification is based on plan (ATT Mobility) or vendor device description (Verizon).

Source: ITS vendor billing files

Departments have control over which employees are assigned mobile devices and the type of devices assigned. Departments request new service, changes to service or service terminations through ITS' Information Technology Service Management (ITSM) system. Department personnel within the Police, Water, Code Compliance, and other departments have been granted access to the AT&T Mobility and Verizon customer service websites to make service changes such as the assigned employee, the accounting Funding Identifier (FID), and the device assigned to a number/SIM card.

Cell phone/mobile device charges to departments are based on the actual cost incurred, without a cost markup. Charges to departments are processed monthly, using an interface process initiated by personnel within the Finance and Administration Division of ITS.

The Finance and Administration Division of ITS pays AT&T Mobility and Verizon using "ghost" procurement cards that are assigned to each specific vendor. During FY2016 and FY2017, CFW "ghost" card payments to AT&T Mobility totaled approximately \$1,292,000.00 and \$1,556,000.00, respectively. Additionally, Verizon was paid approximately \$525,000.00 and \$801,000.00, respectively. AT&T landline services included in the landline vendor table ([on page 2 of this report](#)) are also paid using "ghost" procurement cards.

Monitoring mobile phone expenses is a shared responsibility between ITS and user departments. ITS provides monthly reports to "wireless coordinators" in user departments. The monthly reports include amounts charged, assigned user names, voice/data usage, and other information. User departments are ultimately responsible for cell phones and mobile devices assigned to employees, along with the related expenses.



Objectives

The objectives of this audit were to determine whether:

- billings for telephone expenses are accurate and reasonable; and,
- the oversight and maintenance of the telephone expense process is effective and efficient.

Scope

The scope of this audit was the period from October 1, 2015 through September 30, 2017. Testing beyond September 2017 was conducted as deemed necessary.

Since telephone and other network expenses are provided using the same vendors and infrastructure, our review included vendors that provide both telephone and network services. We did not review the capital project that included replacement of landline telephone equipment.

Methodology

To achieve the audit objectives, the Department of Internal Audit performed the following:

- interviewed personnel within ITS and other departments;
- compared prices paid to the contract prices;
- verified that locations charged for telephone services represented valid City service locations;
- analyzed vendor billings and payments to vendors;
- reviewed mobile device usage data;
- reviewed usage reports provided to non-ITS personnel;
- identified phone assignments, then contacted user departments to determine the current status of mobile device services assigned to terminated personnel;
- contacted other cities to get comparative information about mobile device management; and,
- evaluated internal controls related to telephone expense billing and payment.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



Audit Results

Based on our audit results, billings for telephone services were accurate and reasonable with the exceptions noted in this report. Amounts allocated to departments for landline telephone expenses matched the budget-based calculation. Chargebacks to departments for mobile phones/devices generally matched charges from vendors, with minor exceptions. We did not identify charges for downloading apps to City devices nor charges for 900 number services. Using a sample based on dollar value, we verified that newly initiated mobile device services had approval requests in the ITSM system, with minor exceptions.

This audit was included in the FY2018 audit plan based on Internal Audit's detection of large fluctuations in payments to telephone vendors. The regularity of vendor payments and reporting to departments improved in FY2017 over FY2016. However, we found that additional controls are needed to provide appropriate oversight and management of telephone expenses.

We reviewed general ledger charges to departments for mobile devices for the full 24-month audit period. Since ITS only provided summarized voice minutes and data usage files for seven months of the audit period, we analyzed the seven consecutive months ending with the September 2017 billing. Based on our review of those files, we identified 504 mobile phones/devices that incurred approximately \$130,000.00 in charges during seven consecutive months for which there was zero reported voice or data usage.

Cell phones/mobile devices in the name of terminated employees were identified. Of the 61 phones assigned to terminated employees (based on charges for September 2017), there were 32 reportedly assigned to the replacement employee and 12 were pending disconnection after questioning by Internal Audit. Two devices could not be found, and for 15 others, responses were not received from departments. We noted requests by six employees who returned their phone, but were reportedly allowed to keep their CFW cellphone number after termination of employment with the CFW.

During the review of landline telephone vendor billings, we identified charges for locations that no longer have City functions at the site. For example, an AT&T bill included a 2509 Merrick Street service address where the Police Department previously leased an office. However, the City terminated water service at this address in November 2008. The total amount billed in FY2017 for the identified, unused locations was approximately \$28,000.00.

ITS expensed approximately \$1,108,000.00 (32%) more than what was budgeted to the Data/Voice & Internet expense account (\$4,528,409.00 versus \$3,420,411.00). We also identified invoices that included late fees and sales taxes. Late fees on 12 vendor invoices from Zayo Group Holdings (from April 2016 to April 2018) totaled \$13,913.25. State and local sales taxes paid on 16 vendor invoices, from Level 3 Communications, totaled \$6,228.87 in FY2017.

We also noted charges for 156 assigned pagers and 89 spare pagers. Pager vendor charges included protection plan fees for approximately 25 pagers. Pager plans also included statewide and nationwide coverage that was not considered necessary. State and nationwide coverage resulted in an additional cost of approximately \$1,318.00 per year. Charges were billed for 10 pagers that were no longer in use, at a total annual cost of approximately \$402.00.

During interviews with non-ITS personnel, they reported having approximately 262 used phones in storage. The used phones reportedly resulted from service upgrades and other replacements. User departments reported a lack of guidance about the disposal or sale of used phones. The used phones had an estimated value of approximately \$2,600.00, based on on-line estimates as of May 2018.



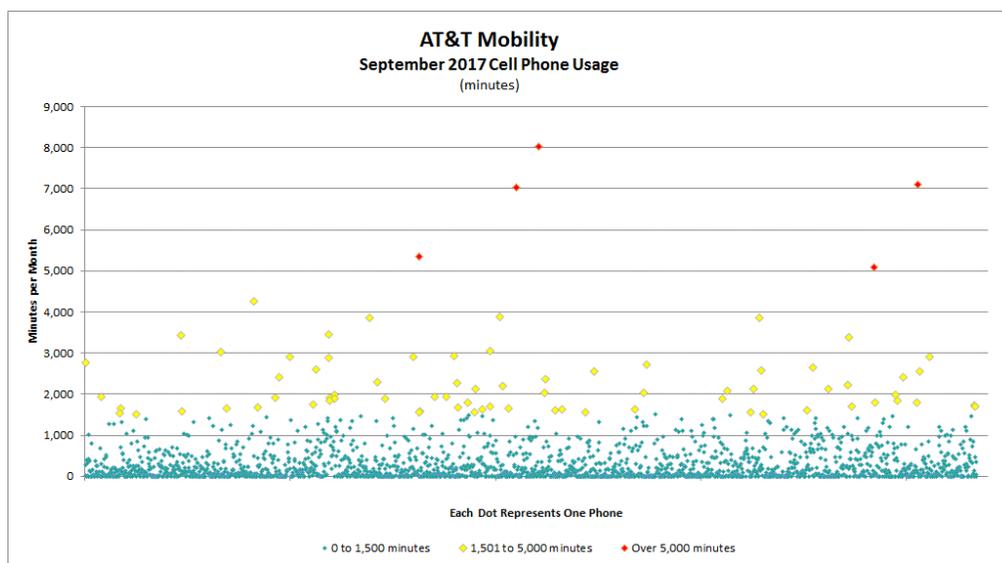
We compared a sample of cell phone/mobile device rates charged to contract rates, to determine whether the rates were billed according to the contract. While rate plan descriptions did not always completely match the contract terms, the terms and rates charged were generally consistent with the contract rates. We identified 36 phones that were charged a \$59.00 monthly rate (between February 2016 and September 2017), when an alternate contract plan with a \$50.00 monthly rate was available. The rate plan variance resulted in charges \$4,356.00 greater than if the contracted rate had been used.

During our review of available mobile vendor bills, we identified charges of approximately \$3,405.00 for calls or data use while outside the country or on cruises. The calls were made from devices without an international roaming plan or other arrangement that would reduce costs. International and cruise use was not blocked by default for these devices. It should be noted that in some instances, international coverage was obtained.

During our review of mobile device billings, approximately 19% of devices could not be traced to an individual or to equipment assigned to a specific individual. Instead of a user name, the phones were assigned to a generic assignment such as “*Police Police*” “*Water Water.*” The following types of assignments were not considered generic:

- assignment to a named individual;
- assignments to personal computers (PCs), since the PCs would typically be traceable to a responsible individual;
- air cards assigned to a specific traffic intersection, since the location is specific; and,
- multiple air cards or other devices with the same user name (used for sensitive police functions), because responsibility could be traced to an individual.

We noted that the City did not exceed the cumulative AT&T pooled voice minutes for any of the 11 months that phone billing data was available for review. This was primarily because the majority of employees did not use excessive minutes. However, exceeding pooled minutes would be more likely if phones with zero usage were removed. Phones on the Verizon pooled voice plan exceeded the pooled total only in September 2017 with 35 phones incurring additional charges of \$118.75 in total.



Source: ITS



Non-ITS employees have access to the AT&T Mobility and Verizon customer web portals with varying access levels. Access to the portals may be justified to change accounts to be charged or an employee assignment. However, we identified four non-ITS employees with access levels described as “full access,” which is the same access level as ITS employees. Such access may represent a control risk.

The CFW does not have a citywide cellular phone/mobile device policy to provide guidance for employees and managers. The Electronic Communications Resource Policy (Administrative Regulation D-7) addresses mobile devices in the context of appropriate use and security, but there is no policy that addresses department monitoring or the factors that support providing a cell phone or mobile device to employees.

Payments to AT&T for landline services and AT&T Mobility and Verizon for mobile device services are paid using what are known as “ghost” procurement cards that are vendor specific. Purchase orders are created in the BuySpeed purchasing system to track spending, but the cumulative amount spent is updated manually, unlike standard (“non-ghost” card) purchases. The purchase order for AT&T landline services had total spending of approximately \$14,710,000.00, exceeding the \$13 million authorized dollar limit by approximately \$1,710,000.00.

In FY2017, expenses charged to the *Cellular Phone Charges* expense account exceeded the amount budgeted by 27% for operating funds. Cell phone/mobile device expenses may be charged to other accounts; however, the majority are charged to *Cellular Phone Charges* account.



Cellular Phone Charges Account - Budget to Actual Expense
 FY 2017 - Operating Funds Only

Department	Budget	Actuals	Over/(Under)	%
			Budget	
Police	\$849,170	\$1,091,474	\$242,304	29%
Water	\$369,962	\$455,169	\$85,207	23%
TPW	\$190,911	\$251,587	\$60,676	32%
Code Compliance	\$151,183	\$247,142	\$95,959	63%
IT Solutions	\$87,683	\$109,227	\$21,544	25%
Park & Recreation	\$82,210	\$88,062	\$5,852	7%
Fire	\$70,444	\$81,820	\$11,376	16%
City Manager's Office	\$53,641	\$48,858	(\$4,783)	-9%
Property Management	\$43,341	\$51,993	\$8,652	20%
Planning & Development	\$32,235	\$36,074	\$3,839	12%
Municipal Court	\$22,726	\$30,338	\$7,612	33%
Public Events	\$20,900	\$23,578	\$2,678	13%
Library	\$15,108	\$15,572	\$464	3%
Aviation	\$7,740	\$7,776	\$36	0%
Neighborhood Services	\$7,467	\$16,838	\$9,371	125%
Economic Development	\$6,124	\$5,697	(\$427)	-7%
Human Resources	\$5,498	\$9,156	\$3,658	67%
Finance	\$2,528	\$2,467	(\$61)	-2%
City Attorney's Office	\$2,200	\$1,984	(\$216)	-10%
City Secretary's Office	\$2,157	\$2,840	\$683	32%
Performance & Budget	\$2,035	\$1,603	(\$432)	-21%
Total	\$2,025,263	\$2,579,255	\$553,992	27%

Source: PeopleSoft GL

Technical requirements for telephone services that have financial effects may require specialized expertise. While we sought and received limited assistance from state DIR personnel and others cities, a review of the technical aspects of telephone services by a third-party expert might provide additional benefits.



Overall Evaluation

High	Medium	Low
Expenses incurred for phones/devices with zero usage, and phones assigned to terminated employees		
Expenses incurred for landline phone bills at locations that are no longer City locations		
Payment of late fees and sales taxes		
Pager charges for unneeded devices or features		
Lack of control over used phones		
Less cost effective rate plans selections		
International call access not blocked by default		
Mobile devices not assigned to individuals		
Non-ITS employees with access to cellular vendor websites		
	No citywide cellular phone/mobile device policy	
	Spending over the authorized procurement limit	



Detailed Audit Findings

1. The CFW paid expenses for phones/devices with zero use (for multiple months).

Government Finance Officers Association standards state that governments must carefully monitor expenditures. During our review of mobile device charges, we identified the following anomalies that indicate a lack of adequate review or follow up at the department level:

- 504 mobile phones with zero usage for seven consecutive months, through September 2017 [based on usage data available within ITS], totaling \$130,093.85; and,
- 61 mobile phones assigned in the name of terminated employees as of September 2017. The potentially avoidable cost, if any, is not known since 32 phones were reported to be reassigned without changing the name; 12 were pending disconnection; two were reportedly lost, and responses were not received for the remaining 15.

As a result, the City paid approximately \$130,000.00 for phones or devices with zero usage. The Department of Internal Audit alerted departments regarding these devices. As of June 2018, service to 47 of the 504 devices had been disconnected and others had been reassigned. In some instances, service had not been disconnected nor devices reassigned.

ITS sends monthly reports (that include usage and billings for each phone/device) to wireless coordinators within user departments. The monthly reports highlight phones with zero usage, but do not identify terminated employees. Under the current process, there is no requirement to confirm that ITS reports were reviewed by user departments. According to non-ITS personnel, ITS provided the reports sporadically before FY2017.

Recommendation 1A: *The Chief Technology Officer should develop a process that requires wireless coordinators to acknowledge, in writing, that they have received and reviewed the monthly ITS mobile device use/charge reports. The acknowledgement should include a requirement that user departments report necessary changes (e.g., device reassignments) and device services that should be terminated.*

Auditee Response: Partially Concur. Staff recommends incorporating the departmental review Recommendation in the Mobile Device Policy that is being developed.

Target Date: February 1, 2019

Responsibility: Kevin Gunn, Chief Technology Officer

Recommendation 1B: *The City Manager should direct the Chief Technology Officer to terminate service for devices with no use reported for three consecutive months, unless departments request and provide written justification for continued service.*

Auditee Response: Partially Concur. Some of these devices support operations that occur less frequently than every 90 days (e.g., mobile command centers, special event staff, seasonal operations). These operations would be adversely affected. Staff recommends requiring the Department Directors to terminate service for devices with no use reported for three consecutive months unless prior approval given by the Department Director. These guidelines will be incorporated in the Mobile Device policy.



Target Date: February 1, 2019

Responsibility: Kevin Gunn, Chief Technology Officer

2. Phone charges were paid for inactive locations that no longer have City facilities or functions.

The City should only pay for services at City facilities or at approved City functions. We identified locations billed for landline circuits that no longer required service for City functions. For example, charges continued for a former Municipal Court satellite payment site for 11 months after the location closed. As noted in the following table, the total estimated annual charge for the locations for FY2017 (based on monthly billings) was \$28,242.32.

Inactive Locations with Landline Circuit Charges FY2017		
Address	Monthly Amount	Estimated FY2017
102 NW 28th (11 months in FY 2017)	\$194.68	\$2,141.48
3280 Park Vista Blvd	\$224.64	\$2,695.68
2215 Weiler Blvd	\$194.68	\$2,336.16
3010 S Grove St (3 circuits)	\$636.00	\$7,632.00
1451 Cherry Ln (2 circuits)	\$512.34	\$6,148.08
4703 Williams Rd	\$98.60	\$1,183.20
1000 E Magnolia Ave	\$164.89	\$1,978.68
6200 Airport Freeway	\$123.24	\$1,478.88
2509 Merrick St	\$220.68	\$2,648.16
Total		\$28,242.32

Source: DIR and AT&T bills

There is no documented process or checklist to ensure proper disconnections at inactive locations. Furthermore, departments may have less incentive to ensure that phone service, for inactive locations, is disconnected, since departmental phone expenses are based on budget allocations instead of actual costs.

Recommendation 2A: *The City Manager should require that departments notify the Chief Technology Officer and the Property Management Director, in writing, of locations that no longer require service and/or have devices that should be disconnected.*

Auditee Response: Concur. IT Solutions will include this verification as part of other processes – either annual budget process or security verification of accounts.

Target Date: February 1, 2019

Responsibility: Kevin Gunn, Chief Technology Officer



Recommendation 2B: *The Chief Technology Officer should require that telephone service to locations identified for service disconnection, be disconnected prior to the next month's billing.*

Auditee Response: Partially Concur. IT Solutions can only request the service disconnection from the service provider. IT Solutions will ensure that service disconnection requests are submitted within 10 days of notice that a location will be vacated.

Target Date: Complete

Responsibility: Kevin Gunn, Chief Technology Officer

Recommendation 2C: *The City Technology Officer should periodically circulate a list of all locations charged for phone services to Department Heads and require confirmation that services are needed at each location.*

Auditee Response: Concur. IT Solutions will include this verification as part of other processes – such as annual budget process.

Target Date: February 1, 2019

Responsibility: Kevin Gunn, Chief Technology Officer

3. Avoidable late fees and taxes were paid.

We identified late fees totaling \$13,913.25 paid to Zayo Group Holdings and sales taxes totaling \$6,228.87 paid to Level 3 Communications. There did not appear to have been adequate bill review or follow up with the vendors to address factors that might have resulted in late payments and/or avoidable sales taxes.

The Prompt Payment Act requires that vendors be paid no later than 30 days after the later of the receipt of goods/services or the receipt of the invoice for the goods/services. Good business practice would be to pay vendors in a timely manner, in order to avoid required late fees. Since Texas Law exempts the CFW from sales taxes, good business practice would be to ensure that vendors contracting with the CFW are aware of the City's sales tax exemption status and that processes are in place to ensure that payments are not made for costs from which the City is legally exempted.

The City paid a total of \$20,142.12 in late fees and sales taxes during the audit period.

Recommendation 3A: *The Chief Technology Officer should ensure that the City's state sales tax exemption is on file with telephone vendors and request a refund for taxes paid in error.*

Auditee Response: Concur.

Target Date: February 1, 2019

Responsibility: Kevin Gunn, Chief Technology Officer



Recommendation 3B: *The Chief Technology Officer should ensure that monthly bill review and vendor coordination is timely and thorough to avoid paying late fees and exempted sales taxes.*

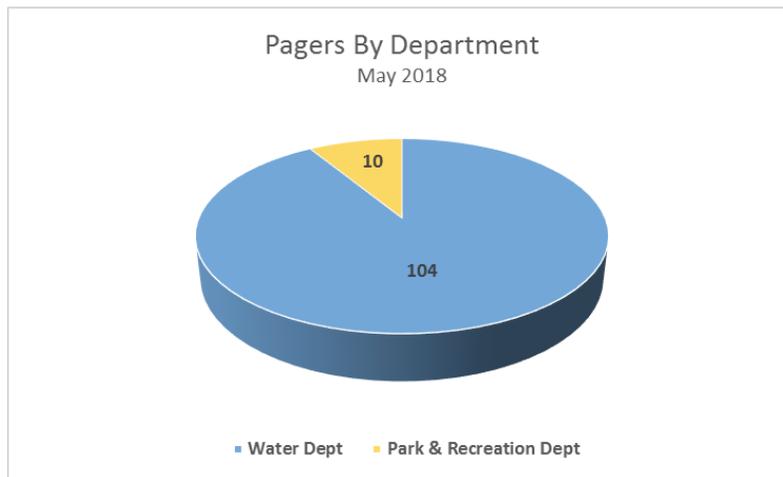
Auditee Response: Concur.

Target Date: February 1, 2019

Responsibility: Kevin Gunn, Chief Technology Officer

4. The City paid for pager services that were not used.

Pager expenses posted to the CFW *Cellular Phone Charges* general ledger account totaled \$8,328.00 in FY2016 and \$9,306.32 in FY2017. Pager billings included monthly service charges, along with charges for maintenance/protection plans, lost pagers, spare pagers, and other fees. The number of pagers charged for monthly pager service decreased from 156 in September 2017 to 114 in May 2018, with a corresponding decrease in expenses.



Source: Pager vendor invoices

Unnecessary spending should be avoided. However, user department personnel stated that 10 of the pagers were not being used and could be eliminated at a savings of \$402.00 per year. Also, pager billings included “protection/maintenance” plans for approximately 25 pagers, although the City is self-insured for most losses.

The pagers included primarily “Local Coverage” at a cost of \$2.75 per month. However, pagers with “Statewide” (\$3.25 per month) and “Nationwide” coverage (approximately \$15.00 per month) were also identified at an annual cost of \$1,318.00. Based on the charges identified, it appears that pager invoices have not been thoroughly reviewed by user departments. It should be noted that ITS personnel circulated a list of pagers to departments at the beginning of FY2018, requesting information about unused pagers.

Charges for pagers that were not needed or that had unused features resulted in unnecessary spending.

Recommendation 4: *The Chief Technology Officer should require that Department Heads provide supporting documentation to justify the quantity of pagers needed, if any, along with the coverage required, other features, etc.*

Auditee Response: Partially Concur. Pager service is more cost effective than cell phone service for some operational needs. Department Heads are not required to provide supporting documentation to justify other mobile devices and pagers are significantly less expensive. A departmental review of mobile devices usage, including pagers, will be required in the Mobile Device Policy.

Target Date: February 1, 2019

Responsibility: Kevin Gunn, Chief Technology Officer

5. Used phones are not adequately managed or controlled.

Approximately 262 used phones were retained by departments after being upgraded. The replaced phones were neither sold nor recycled. The replaced phones are older models including:

<u>Model</u>	<u>Count</u>
iPhone 6	35
iPhone 5	79
iPhone 4	11
Samsung 5	3
Samsung 4	7
Other Phones	127
Total	262

Used Phone Examples



Source: Photographs provided by user department personnel

The “Other Phones” category, noted in the preceding table, includes older models that are obsolete. Good asset management practice requires the sale or disposal of assets that are obsolete or no longer in use. Without good asset management, employees could sell or convert unused phones for personal use. It should be noted that Internal Audit saw no evidence that employee cell phones/mobile devices had or had not been converted for personal use.

Guidance for the disposal of unused cell phones and mobile devices has not been developed. However, a conservative estimate of the value of the unused phones, based on internet websites, is approximately



\$2,600.00. The value could be higher if used phones were sold quickly after use or if there are more phones that were not identified.

Recommendation 5: *The Chief Technology Officer should address used cell phones and mobile devices in a citywide policy. The policy should address the process for returning, making used phones available to other departments, auctioning after sensitive data has been removed, recycling devices with no value, etc.*

Auditee Response: Concur.

Target Date: February 1, 2019

Responsibility: Kevin Gunn, Chief Technology Officer

6. Selecting the wrong rate plan resulted in higher costs for the City.

Services should be obtained at the lowest appropriate rate specified by vendor contracts. However, we identified 36 cell phones that were charged a rate that was higher than the contracted rate. The phones were charged at a \$59.00 per month rate, while the contracted rate was \$50.00 per month.

The higher rates reportedly resulted when ITS personnel mistakenly selected the incorrect plan from the vendor website. As a result, the City was billed approximately \$4,356.00 more than the lowest contracted rate, available between February 2016 and September 2017.

Recommendation 6: *The Chief Technology Officer should require that ITS staff periodically review plans and rates billed to verify that they are the lowest available rate for the services received.*

Auditee Response: Concur. Will include review requirements/process in Mobile Device Policy.

Target Date: February 1, 2019

Responsibility: Kevin Gunn, Chief Technology Officer

7. International calls, made by City employees without an international plan, were identified.

We identified FY2017 cell phone/mobile device charges totaling approximately \$3,405.00, which were incurred during cruises and other international travel, for phones without an international roaming plan. These charges resulted because cruise and other international calls are not blocked by default. Also, the majority of employee plans reviewed did not have an international roaming plan to achieve lower costs when traveling internationally.

The City paid approximately \$3,405.00 for services that could have been obtained at a lower cost if the services obtained were necessary to conduct City business. When cruise and other international travel is blocked, CFW employees cannot make international calls without requesting removal of the block. Good business practice requires avoiding unnecessary costs.

CFW employees may not understand that alternatives exist to reduce costs of international calls when necessary for business purposes. It should be noted that we were unable to determine if calls were or were



not business related. However, one employee was requested (by his/her department) to reimburse the City after being made aware of the charges.

Recommendation 7: *The Chief Technology Officer should have cruise and international calls blocked, except when valid exceptions are supported by a business need, and has been approved by the user department.*

Auditee Response: Partially Concur. This prohibition will be included in the Mobile Device Policy. ITS will work with mobile device carriers to restrict international and cruise calls within the capability of the carrier systems.

Target Date: February 1, 2019

Responsibility: Kevin Gunn, Chief Technology Officer

8. Some mobile devices were not assigned to a specific individual.

Internal control standards stress individual accountability over resources. However, as of September 2017, approximately 19% (968 of 5,049) of City-issued cellular/mobile devices were not assigned to an individual, a specific piece of equipment, or a landline location. Assignments for those devices included only the department name, a job title, or other general description.

Department	Generic Assignment	Traceable Assignment	Total
Police	418	1,678	2,096
Water	235	536	771
TPW	66	559	625
Code Compliance	30	385	415
Fire	74	255	329
IT Solutions	38	153	191
Park & Recreation	57	105	162
Planning & Development	0	78	78
Property Management	4	69	73
Neighborhood Services	14	58	72
City Manager's Office	6	62	68
Municipal Court	9	43	52
Public Events	3	39	42
Library	8	19	27
Aviation	2	11	13
Human Resources	0	11	11
Economic Development	3	7	10
City Secretary's Office	0	5	5
Finance	1	2	3
City Attorney's Office	0	3	3
Comm & Public Engagement	0	3	3
Total	968 19%	4,081 81%	5,049

Source: AT&T Mobility & Verizon billing files provided by the ITS



The generic assignments (e.g., Department, Department) resulted from failure of departments to request that cellular numbers be assigned to individuals or specific equipment when initiating or changing service. As a result, there is no direct accountability for usage of approximately 19% of cell phones or mobile devices. Additionally, high charges or misuse cannot be readily traced to a specific individual. It should be noted that phones assigned to Police intelligence functions were not considered to be assigned to a generic name, because a manager's name was included as the assigned party for multiple phones.

Recommendation 8A: *The City Manager should direct Department Heads to ensure that all mobile device services are traceable to an individual, equipment, or locations that are the responsibility of an individual.*

Auditee Response: Concur. Will include requirement/process in Mobile Device Policy.

Target Date: February 1, 2019

Responsibility: Kevin Gunn, Chief Technology Officer

Recommendation 8B: *The Chief Technology Officer should require that ITS staff notify departments of mobile devices that are not assigned to a specific individual, and upon receipt of identifying information from departments, require updating to include the responsible individual's name or a device/equipment number that can be traced to an individual. Non-responding departments should be referred to the appropriate Assistant City Manager.*

Auditee Response: Partially Concur. The Mobile Device Policy will require departments identify an individual responsible for each device. The Department review will identify this as required information and set guideline for keeping the information current.

Target Date: February 1, 2019

Responsibility: Kevin Gunn, Chief Technology Officer

9. Non-ITS employee access to cellular vendor on-line web portals is not adequately controlled.

Administrative Regulation D-5 requires that system access be limited to the minimum level required for users to perform their required functions under the principle of least privilege. The regulation also states that individual user accountability must be maintained.

Non-ITS employees have been granted access to the AT&T Mobility and Verizon account management portal websites to make changes without needing to contact ITS. For example, these non-ITS personnel can change the device assigned to a phone number, the name of the employee assigned to a phone, the accounting center charged, etc. Access to change the assigned user name and accounting information may be appropriate for department personnel to implement, if appropriately controlled and approved by department management. As depicted in the following table, department personnel have varying access levels.



Vendor	Access level	Water	Police	Plan/Dev	Code	TPW	CPE	Fire
AT&T Mobility	Full Access	1	1	1	0	1	0	0
AT&T Mobility	Ltd Access	5	1	1	1	1	0	0
Verizon	Ltd Access	0	4	0	1	0	1	1
Totals:		6	6	2	2	2	1	1

Source: ITS

In addition, ITS employees have full/administrator access to vendor portals including AT&T Mobility Full Access (4) and Verizon Administrator (6). Full access provides the ability to make changes to account features, billing, user assignments, etc.

Recommendation 9: *The Chief Technology Officer, in conjunction with applicable Department Heads or their designee, should review the AT&T Mobility and Verizon portal access provided to non-ITS personnel for consistency with job function requirements. Necessary changes should then be made to ensure adequate security.*

Auditee Response: Partially Concur. A limited number of employees have access to on-line web portal. Staff will include requirements and responsibilities for access to the on-line web portal in the Mobile Device Policy.

Target Date: February 1, 2019

Responsibility: Kevin Gunn, Chief Technology Officer

10. There is no written citywide cell phone/mobile device policy.

Documented policies are needed to communicate expectations and provide accountability. However, the CFW does not have a citywide cell phone/mobile device policy that addresses circumstances for providing devices, monitoring cell phone use, international use, installing apps, and other controls. While cell phones and mobile devices are addressed (to a limited extent) in the electronic communications resource policy, the City has not developed a citywide policy. The lack of a policy results in failure to provide:

- standards governing positions that are eligible to receive a phone, based on job requirements;
- a requirement that employees reimburse the City for personal usage that increases the City's cost; and,
- a requirement for department coordinators to review the usage.

As a result, the City could incur avoidable costs.

Recommendation 10: *The Chief Technology Officer should require the development of a mobile device policy that addresses job requirements that support the City providing cell phones or mobile devices, as well as employee requirements to repay the City for non-business use.*

Auditee Response: Concur.

Target Date: February 1, 2019

Responsibility: Kevin Gunn, Chief Technology Officer



11. Spending for landline telephone and internet service provided by vendor AT&T exceeded the purchase order amount.

Payments to AT&T, totaling \$14,709,683.34 and under a contract that was in effect from FY2011 to FY2016, exceeded the \$13 million authorized dollar limit by \$1,709,683.34.

The City made payments to AT&T (under contract) using a “ghost” procurement card, which results in the need to manually update cumulative spending against the purchase order. Manual updates are required because procurement card payments are not processed through the accounts payable system. While the cumulative spending is updated by the Procurement Card Administrator, ITS staff must track spending manually by reviewing the cumulative amount spent, since the BuySpeed system cannot enforce a spending limit for the procurement card purchases. As a result, reported spending exceeded the amount authorized. The City Code requires Mayor and Council approval for spending above an established threshold.

Recommendation 11: *The Chief Technology Officer, in conjunction with the Assistant Finance Director/Chief Procurement Officer, should direct staff to ensure that contract spending does not exceed the amounts authorized.*

Auditee Response: Concur. Will be implemented as part of the new Purchasing System.

Target Date: October 1, 2018

Responsibility: Kevin Gunn, Chief Technology Officer
Cynthia Garcia, Assistant Finance Director



Acknowledgements

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