

Report No. 2009-18

August 26, 2009



Kate Brown, Secretary of State
Gary Blackmer, Director, Audits Division

Secretary of State Audit Report

State of Oregon

State Cell Phone Plans: Closer Attention to Usage Could Create Savings

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Summary

State agencies provide many employees with cell phones to use on the job. For example, Department of Human Services (DHS) caseworkers in the field use state cell phones to communicate with clients and their home offices. Department of Transportation (ODOT) incident responders use cell phones to communicate hazardous material incidents to law enforcement. Two major vendors charged the state about \$3 million during a one-year period beginning April 1, 2007 for about 8,145 phones and related services.

We reviewed statewide data from two of the three major vendors to identify use patterns and determine whether the state was using cell phones efficiently. The third vendor did not provide us with the usage data we requested. The statewide data included all state agencies, state boards and commissions, State of Oregon universities, Oregon Health and Science University, and SAIF Corporation. We found three areas where phone use and associated charges did not appear consistent with efficient business use and where improved practices would result in cost savings.

- Unused phones – During the one-year period we reviewed, the state could have avoided at least \$182,000 in service charges by shifting to lower cost plans for phones that were not used at all during one or more months.
- Extra charges for high use – Over the same period, the state had about \$270,000 in charges that significantly exceeded the base monthly service cost for the phones. Some of this excess cost could have been avoided by shifting to plans that better matched actual use.
- Charges for missing phones - When we reviewed cell phones with zero and high use, we found that agencies had incurred charges for missing phones. These charges could have been avoided by improving cell phone tracking processes. This would also help ensure charges relate to business needs.

To determine the causes of these problems, we reviewed cell phone management at three large state agencies. We found that the current mismatch of plans and use, and charges related to missing phones is largely due to insufficient agency oversight. While officials from all three agencies told us they received and reviewed cell phone utilization reports, our analysis indicated that with the exception of ODOT, a sufficient review did not occur. However, we did note that DHS and DOC were in the process of reviewing and revising their cell phone management practices.

While we limited our review of cell phone management practices to the three large state agencies, our analysis of statewide data indicates that similar problems exist throughout the state. Therefore, we believe all organizations included in our statewide analysis should consider reviewing their cell phone management processes and implementing our recommendations directed at DHS, ODOT, and the Department of Corrections (DOC), if they have not already done so.

Summary

We recommend the Department of Administrative Services work with cell phone vendors to ensure that electronic billing and usage data are available when needed.

We recommend DHS, ODOT, and DOC:

- obtain from vendors cell phone billing and usage reports that identify cost saving opportunities and share those formats and analyses with other agencies as opportunities arise;
- regularly review cell phone bills and vendor reports to identify zero use phones and usage patterns that indicate a line should be terminated or a plan should be adjusted;
- update cell phone inventories now and immediately turn off all phones unaccounted for; and
- update inventories periodically in the future, including accounting for phone returns and line terminations for separating employees.

AGENCIES' RESPONSES

Agencies generally agree with our findings and recommendations. Responses from all agencies can be found beginning on page 13.

Background

State agencies sometimes provide their employees with cell phones to use while on the job. In fact, there are many instances when access to a cell phone helps state employees perform their duties and at times protect the public. For example, some employees are required to be on call 24 hours a day or travel for their job duties. Others, such as Department of Transportation incident responders, use cell phones to communicate potential hazards to the public and law enforcement.

On behalf of all state agencies, the Department of Administrative Services (DAS) contracted with three cell phone vendors during the period we reviewed. All three offer a variety of service plans. In addition, the statewide contract allows agencies to easily change between plans in order to best meet their business needs. State agencies can also purchase services through other vendors as well. For example, some agencies with offices in rural locations purchase cell phone service through local vendors.

The two vendors we reviewed in our audit—Sprint Nextel and AT&T—charged the state approximately \$3.1 million during a one-year period for about 8,145 cell phones and related services. We requested the same electronic phone usage data from the third major vendor, Verizon, but officials from the company did not provide the data to us or DAS.

While DAS is responsible for contracting with major cell phone vendors, cell phone use decisions are the responsibility of state agencies. DAS' statewide policy requires that agencies ensure expenditures for cell phones are restricted to state business, an agency coordinator for cell phones is delegated, and safeguards over cell phones and cell phone use are in place.

We reviewed cell phone management at three of the state's largest agencies – Department of Human Services (DHS), Department of Transportation (ODOT), and Department of Corrections (DOC). As shown in table 1, in one year alone, these three agencies had about \$1.2 million or about 38 percent of the state's charges from the two vendors we included in our audit.

Table 1

Agency	Number of Cell Phones	Charges by AT&T and Sprint Nextel
DHS	1,920	\$678,000
ODOT	988	\$328,000
DOC	664	\$154,000
Others State Agencies	4,573	\$1,939,000
Total	8,145	\$3,099,000

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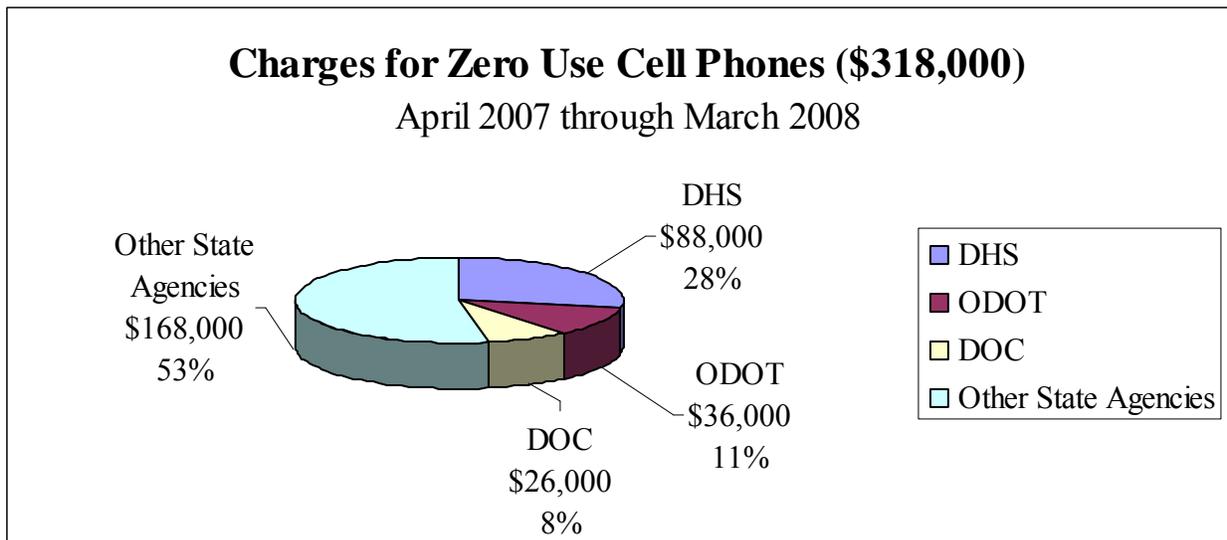
We evaluated use patterns to determine whether state agencies were using cell phones efficiently. We found three areas where phone use and related charges did not appear to align with business needs: charges for unused cell phones, extra charges for cell phones with high use, and missing cell phones. Improved practices to address these areas, such as better matching of plans to phone use, would result in significant cost savings. In addition, better tracking reports and agency oversight could eliminate unnecessary and missing cell phones, result in savings, and help ensure cell phone charges are consistent with business needs.

Unused and High Use Cell Phones—Better Plan Selection Could Result in Savings

Unused Phones

We found some phones were not used during entire months of the year that we reviewed. Sporadic or emergency needs in some cases justify continued payment for these phones, but switching to a low-use plan could have saved the three agencies we reviewed about \$182,000. Had all unused phones been discontinued, the state could have saved about \$318,000. As shown in Figure 1 below, of the approximate \$318,000 in charges for unused phones, DHS was charged roughly \$88,000, ODOT \$36,000, and DOC \$26,000.

Figure 1



We found that some of the zero use cell phones were on plans with high monthly service charges. For example, some state agencies had zero use phones with monthly service charges in excess of \$140. While some of the zero use phones had minutes pooled with other phones,

Audit Results

given the high monthly charges we observed, shifting the zero use phones to lower cost plans and replacing the lost minutes would likely result in savings.

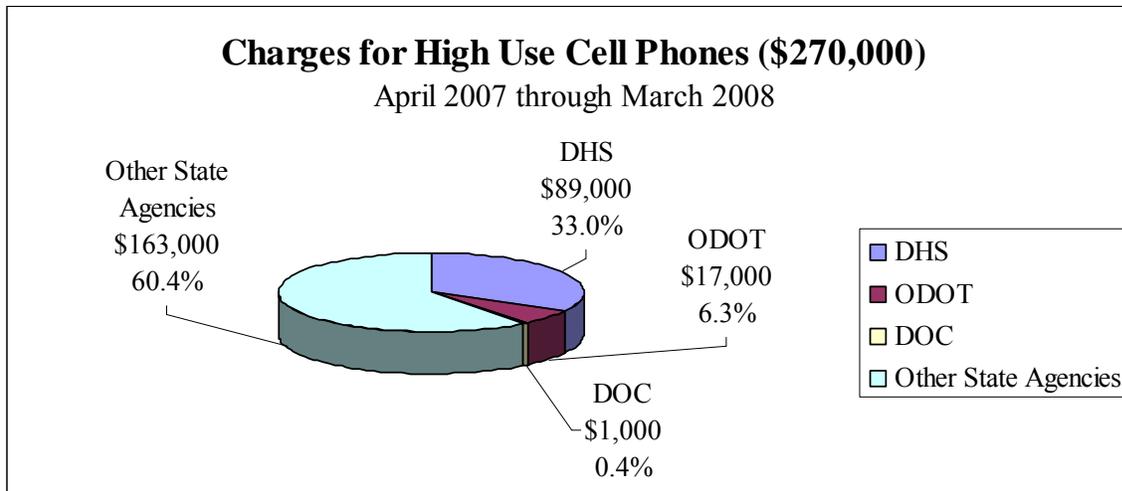
Furthermore, many of the zero use phones were not in pools and a less expensive plan could have been selected. Examples of available lower rate options are a \$9.99 flat rate monthly plan one of the vendors offered and a \$5.00 monthly standby plan the second vendor offered. If the phones had been placed on these plans, about \$182,000 of the \$318,000 in zero use charges could have been avoided.

High Use Phones

Cell phone plans charge for call minutes that exceed the monthly allotment of time. Occasional excess charges may occur as a result of emergencies or extraordinary circumstances, but monitoring for consistent excess charges could identify opportunities for savings. Some plans allow sharing or “pooling” of call minutes among a group of phones, which can reduce excess charges on a particular phone. However, agencies may be able to reduce cell phone costs if they are paying for a growing pool of unused minutes.

In analyzing data from AT&T, we found that the state had about \$270,000 in cell phone charges that significantly exceeded the base monthly service cost for the phones. Figure 2 below illustrates the excess amount charged to state agencies by this vendor for high phone use during the one-year period. This figure excludes data from Sprint Nextel because most of the lines were pooled. A separate analysis of each pool would be needed to confirm that these plans are the most cost effective.

Figure 2



One example of a high use phone involved a DHS caseworker who was on a flat rate plan that cost \$9.99 per month with each minute of use charged at 11 cents. During one month, the caseworker used more than 2,100 minutes at a cost of over \$250. On average, this caseworker

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used around 1,400 minutes per month at a cost of about \$180 per month. An alternative plan provides unlimited minutes and costs only \$100 per month.

While we found only about \$1,000 in high use charges at DOC, we noted that the agency had a high number of pooled lines (users who share minutes). With these plans, which we did not include in our analysis, high use is allocated to the pool. As noted above, agencies with these types of plans would need to analyze use within each pool to ensure they are the most cost effective plan for meeting business needs.

Some Agencies Had Missing and Unnecessary Phones

During our review for both our zero and high use cell phones, we identified instances at all three agencies in which cell phones could not be located and were apparently not needed. Although cell phones themselves are inexpensive, costs associated with missing phones can be significant and may not be related to a business need. For example:

- A DHS manager listed as the user of a zero use cell phone told us she was unaware that the cell phone was issued to her. In addition, department officials did not know the location or users of four other zero use phones we inquired about. The department subsequently placed two of the phones on standby and terminated the remaining two. The charges for these four phones totaled approximately \$1,700 for the audit period.
- At DHS, one phone had more than \$2,300 in charges in one year, with one month's charges over \$1,200. We found that the listed user had left state employment in April 2005. DHS staff could not tell us whether the individual or individuals responsible for these charges were employed by DHS.
- Another missing phone at DHS resulted in about \$190 in charges in one month for long distance calls to Canada.
- During our audit period, ODOT paid approximately \$460 dollars for a zero use cell phone assigned to an employee who left the agency in September 2006. Department officials turned this phone off in June of 2008, after performing their own internal review.
- A DOC employee we interviewed was unaware that a second cell phone was assigned in her name. DOC paid approximately \$440 during our audit period for this zero use phone.

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Improved Agency Oversight Needed

The DAS contracts with all three cell phone vendors have provisions that allow state agencies to request custom usage reports to meet their particular needs. Specifically, DAS officials told us vendors could provide state agencies with reports designed to identify zero and heavily used cell phones. Officials from all three agencies told us they received and reviewed cell phone utilization reports. However, our analysis indicated that, with the exception of ODOT, a sufficient review did not occur. At ODOT, we found evidence that phone plans were adjusted to meet the business need for a better price.

We spoke to managers at DHS and DOC who told us they did not receive billing statements with the detail necessary to review cell phone use within their units. For example, one DHS manager told us she requested and received a summary report of minutes and charges associated with her unit, but the report lacked the details she needed for her review. In contrast, some ODOT managers told us they or their unit support staff reviewed invoices in detail to determine whether charges seemed appropriate.

We also found that all three agencies could improve their cell phone inventory processes. Maintaining current inventories, as required by state rules, would help ensure the state is not paying charges for missing or unauthorized cell phones. We found that none of three agencies had an accurate cell phone inventory. Specifically:

- DHS officials told us they relied on the vendors for inventories, but our review of vendor reports showed they did not accurately account for all of the agency's cell phones, underscoring the need for agencies to have their own inventories;
- ODOT began implementing an asset tracking system in August 2008 that includes an inventory of cell phones, but at the conclusion of our fieldwork, the inventory was not yet complete; and
- DOC had a working inventory, but it was incomplete.

Last, cell phones assigned to employees were not adequately tracked in employee personnel or other files. Tracking state property assigned to each employee is important to account for assets and to ensure property assigned to employees is returned when they leave, as required by state rules. Properly tracking the cell phones might have prevented some of the charges we noted for missing phones assigned to individuals no longer employed by the agencies.

We found that DHS and ODOT have asset tracking forms that, when completed, not only identify assigned property and date issued, but also the date the property was returned. However, DHS had only four of the 42 forms we looked for and ODOT files we reviewed contained 14 of 29 forms we looked for. We were not able to locate any forms at DOC.

Despite the above problems, we learned during our fieldwork that DHS and DOC officials were in process of reviewing and revising their cell phone management practices. For example, at

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DHS cell phone management is being distributed across the department, training has begun for employees with cell phone management responsibilities, and some cell phone policies, procedures and forms have been updated.

Recommendations

Our recommendations were based on work performed at the three agencies. However, our analysis of statewide data shows that similar problems exist throughout the state. Therefore, we believe all organizations included in our statewide analysis should consider reviewing their cell phone management processes and implementing our recommendations directed at DHS, ODOT, and DOC, if they have not already done so.

We recommend the Department of Administrative Services work with cell phone vendors to ensure that electronic billing and usage data are available when needed.

We recommend DHS, ODOT, and DOC:

- obtain from vendors cell phone billing and usage reports that identify cost saving opportunities and share those formats and analyses with other agencies as opportunities arise;
- regularly review cell phone bills and vendor reports to identify zero use phones and usage patterns that indicate a line should be terminated or a plan should be adjusted;
- update cell phone inventories now and immediately turn off all phones unaccounted for; and
- update inventories periodically in the future, including accounting for phone returns and line terminations for separating employees.

Agencies' Responses:

Agencies generally agree with our findings and recommendations. Responses from all agencies can be found beginning on page 13.

Objectives, Scope and Methodology

We evaluated cell phone use patterns to determine whether state agencies' use of wireless communication devices was cost effective and consistent with business needs. To accomplish our objective, we reviewed pertinent laws, rules, and statewide policies/guidelines as they related to our audit purpose. We reviewed relevant agency internal and external audit reports, and interviewed DAS, DHS, ODOT, and DOC staff to gain an understanding of each agency's cell phone oversight processes and responsibilities. We also obtained and reviewed copies of the three statewide cell phone contracts in place at DAS during our audit period.

We requested statewide cell phone data of the three largest vendors and obtained data from two. The data we reviewed included all state agencies, state boards and commissions, State of Oregon universities, Oregon Health and Science University, and SAIF Corporation. Our audit period for the review was April 1, 2007 through March 31, 2008. To assess the data's reliability, we compared vendor provided totals to the data we received, compared a data sample to agency invoices, and summarized and compared DOC cell phone charges to the state's accounting system for reasonableness. Although we found that the data was sufficiently reliable for our audit purpose, it was not complete. Specifically, for one vendor, the data did not contain all cell phone lines. In addition, because the other vendor was the product of a recent merger of two companies, we received two data sets from the vendor. One of the data sets was in a format that we could not use. Given that we did not obtain all data from the two vendors, our findings are likely understated.

Using both vendors' data, we identified agencies with significant cell phone use and chose three of the largest agencies—DHS, ODOT, and DOC—for detailed testing. For this testing, we selected a judgmental sample of about 100 cell phone lines. For the three agencies selected, we also reviewed the agencies' cell phone invoices, forms, and policies and procedures relevant to cell phone justification, plan use, and business needs. We interviewed agencies' cell phone coordinators and other relevant staff to gain an understanding of cell phone oversight processes.

We conducted this performance 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 we obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



August 11, 2009

Sandy Hilton, CPA
Audit Manager, Audits Division
Secretary of State
255 Capitol Street NE, Suite 500
Salem, OR 97310

RE: State Cell Phone Plans Audit Response

Dear Ms. Hilton:

Thank you for providing us the report on the State Cell Phone Plans. We appreciate the time and efforts your team has spent reviewing this commodity and service. The Department agrees with the findings that pertain to the Department of Administrative Services, State Procurement Office (SPO) as stated in the report, and offers the following in response to your recommendations.

Recommendation 1: The Department of Administrative Services work with cell phone vendors to ensure that electronic billing and usage data are available when needed.

SPO agrees with the recommendation. SPO has already provided agencies with the tools necessary to manage their wireless accounts, including the contractual requirement that all cell phone contractors provide electronic billing and usage data are available when needed. All cell phone contractors also are required to provide an array of program set-up, training, services and reports as needed per their contracts. Below is a summary of the variety of tools and solutions each current cell phone contractor offers.

SPO also ensures that agency Cellular Communication Plan Coordinators¹ have timely information available to them about these reports and services. SPO does this through:

- posting of the contracts and additional best-value information on the Oregon Procurement Information Network (ORPIN) for agency access;
- e-mail communications to agency Plan Coordinators and Designated Procurement Officers about contract administration news and updates; and
- in-person information forums for all agencies to attend.

For example, the current Cell Phone contracts were established in May 2007. At that time, SPO informed all agencies about the new contracts by email, ORPIN and hosted an

¹ Note: DAS Statewide Policy 107-001-015 describes the designation and duties of agency Cellular Communication Plan Coordinators.



all-agency contract roll-out forum. In April 2009, SPO again hosted an all-agency contract forum, which gave agency representatives the opportunity to meet with each cell phone contractor and ask questions.

By using the contractors' tools listed below, each agency Cellular Communication Plan Coordinator has the ability to review and right size wireless plans to maximize service and cost savings:

Verizon Wireless Price Agreement 7552:

The Verizon Wireless Contract manager is required to work with the ordering entity to complete a price plan analysis on a quarterly basis.

The tools available to the agency are:

- How to begin using My Business Account
- Access Online Statements
- Make Payments Online
- Mange your Accounts
- Use Robust Reporting Tools
- Order New Devices.

AT & T Wireless Price Agreement 7581:

The AT & T Wireless Contract manager is required to work with the ordering entity to complete a price plan analysis on a quarterly basis.

The tools available to the agency are:

- Premier Website
- Premier Business Center
 - View the latest devices, plans and special offers
 - Research features and capabilities to streamline the business
 - Learn about customized solutions
 - Find Comprehensive Information

Premier Business Online Store

- Account Management
 - Update Wireless User Information
 - Customize your Premier Online Store
 - Track Requests
 - Create, modify or delete Administrator Profiles and set user levels.

eBill is a function within Premier Care Function.
Pull data for up to 16 consolidated billings periods.
Customizable reports to add/remove columns, filters, sort
Quarterly usage
Stewardship Reports
Individual Training

T-Mobile Price Agreement 8622:

The T-Mobile Contract manager is required to work with the ordering entity to complete a price plan analysis on a quarterly basis.

The tools available to the agency are:

T-Mobile I-Billing
Statement of Accounts
I-Analyst
 Customized Reports
 Detect misuse
 Allocate expenses (cost centers, projects)
 Aggregate data from multiple billings
 Evaluate calling performance
 Marketing campaigns
 Easy rebilling

Sprint Nextel PA 7557:

The Sprint Nextel Contract manager is required to work with the ordering entity to complete a price plan analysis on a quarterly basis.

The tools available to the agency are:

Wireless Manager (WMR) - online website for State customers (Sprint)
www.sprint.com - can create a user name and password account to manage users at a high level (voicemail resets, swaps, billing, etc.).
Order equipment
Activate phones
Update user names
Reset voicemail
Look up unbilled usage detail, etc.
Electronic Billing & Analysis (eBA)
Monthly billing reports by account, sub account, user level.

UAD Report - monthly report automatically generated and sent Sprint Nextel Account Manager Report contains all billing detail (no usage detail).
SMARTCD+ - monthly CD delivered in the mail (mostly for larger accounts that request it). Comes in Access format and contains billing detail, reports, usage detail.

SPO appreciates the audit team's help in analyzing and discussing cell phone contract performance and related issues. If you have further questions, please don't hesitate to contact Dianne Lancaster, Chief Procurement Officer at the State Procurement Office, at (503) 378-3529 or Dianne.lancaster@state.or.us or Pam Johnson, Statewide Cell Phone Contract Administrator at (503) 378-4731 or Pam.Johnson@state.or.us.

Sincerely,



Scott L. Harra
Director
Department of Administrative Services

cc: Kris Kautz, DAS Deputy Director
Jan Dean, State Services Division Administrator
Dianne Lancaster, SPO Chief Procurement Officer
Pamela J. Stroebel-Valencia, Chief Audit Executive
Pam Johnson, SPO Statewide Cell Phone Contract Administrator



Oregon

Theodore R. Kulongoski, Governor

Department of Human Services

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Salem, OR 97301
503-947-5110
Fax: 503-378-2897
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August 17, 2009



Gary Blackmer, Director
Audits Division
Office of the Secretary of State
255 Capitol Street, NE 500
Salem, OR 97301

Re: Department of Human Services Response to Draft State Cell Phone
Plan Audit

Dear Mr. Blackmer:

This letter is the Department of Human Services' (DHS) response to the Secretary of State Audit of State Cell Phone Plans. The department appreciates the opportunity to respond to this Draft State Cell Phone Plans Audit. We agree with the findings and recommendations found within the report which covered the time period of April 2007 to March 2008.

The department implemented improved procedures on wireless communication device (WCD) usage, many of which reflect the recommendations in the audit report and have generated savings. For example, comparing January 2009 to May 2009 (the last billing month currently available) we estimate we are saving just under \$15,000 per month on wireless communications devices due to improved procedures to increase oversight and accountability. We anticipate more savings in the future as the agency is approximately 68 percent to completion of the plan to fully implement the recommendations of both our internal review and the Secretary of State audit.

Of the eight devices specifically referenced in the audit report, six were canceled and two were assigned to other staff with appropriate plans.

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Using greater oversight and control, our new review process has resulted in money-saving changes to 105 plans and the discontinuation of 140 devices.

Here is more detail:

In 2007 the department began a Transformation Initiative with the goal to improve how services are delivered and to become more efficient with state resources. The first phase of this effort concluded in June 2008 and resulted in a prioritized list of recommendations. One of these recommendations was to improve the WCD process, which is in alignment with the recommendations of the audit.

Planning work for the WCD system Rapid Process Improvement (RPI) team began in July 2008. The team began its work in September. This team reviewed the WCD process from ordering to end of life cycle. This work resulted in two reports. One issued in October regarding cell phones and another issued in November regarding BlackBerrys. Based on these efforts the following actions were planned:

- Evaluate DHS needs against vendor capabilities;
- Identify business units and coordinators for local device ordering and monitoring responsibility;
- Revise existing policies to include recommended changes;
- Provide training to coordinators and information to users; and
- Develop metrics to monitor progress.

A project plan for the completion of these actions was developed in December 2008 and is being updated as activities are refined and/or completed.

The process of identifying the local WCD coordinators began in January 2009. A pilot program for the AT&T districts began in June 2009. Initial pilot training on the new local review process occurred on July 21, 2009. The creation of sub-accounts for the remaining vendors will be completed by September 30, 2009 and all WCD coordinators will be trained by December 31, 2009.

The local WCD coordinators will be assigned the responsibility of ordering, inventorying and monitoring the wireless devices for their districts. Regular updates to inventories will be sent to the central WCD coordinator who will maintain the Master WCD Inventory.

A new internal procedure requires that cell phones bills be monitored on a quarterly basis using reports supplied from vendors. The review includes an examination of rate plans, zero use, and possible inappropriate use. The first review began in January 2009, using data from the last quarter of 2008, for the department's two major vendors. As stated earlier, so far this year, the new review process has resulted in changes to 105 plans and the discontinuation of 140 devices.

The department began working with WCD vendors in February 2009 to start the process of creating sub-accounts and bundling minutes. The department worked closely with vendors to create the appropriate sub-accounts, establish local coordinator access and receive ordering system training. The department also worked with the vendors to reduce expenses by bundling minutes into a shared pool of minutes. Sprint/Nextel devices were bundled March 2009. AT&T devices will be assessed for bundling 60 days post sub-account implementation, November 2009.

Existing department wide policies and procedures are in the final stages of modification. They are being modified to clearly identify roles and responsibilities for all parties involved in the WCD process. This will improve communications between WCD administrators, Financial Services, and WCD users. It will also result in a reduction in duplication of work and improved oversight of this process.

In support of these changes, the WCD order form has been updated to improve the methods to track devices, justify business need, clarify plan needs, and identify supervisor responsibilities. It also clearly identifies if a phone is required for emergency preparedness or used as an office check out WCD, which will be indicated in the DHS Master WCD Inventory list. This updated form was posted on the DHS Form Server July 31, 2009. The DHS wide WCD policy and two procedures should be finalized by August 28, 2009.

While the transformation initiative did not initially include the creation of a Master WCD Inventory, our plan has been modified to include improvements to the current vendor driven inventory list. Earlier this year, the central WCD coordinator began developing a new Master Inventory that includes vendor driven information and information collected internally. The changes to the policies and procedures, the improved order form, and the creation of sub-accounts and local coordinator responsibilities are all changes that will support the new Master Inventory. The department plans to have the new Master Inventory completed by January 2010.

The pilot local WCD coordinator training mentioned earlier has begun and will continue this calendar year. In addition, a basic information sheet for new WCD users will be created. This sheet will contain important information such as: contact numbers, policy information, plan specifics and basic user instructions. This document will be completed by December 31, 2009. All WCD users will receive this document when they receive their phone.

Progress for this initiative is monitored against the project plan. The department is approximately 68 percent through the project with final completion planned for January 2010. Initial results of invoice monitoring are positive as measured by reductions in costs due to rate plan changes and the cancellation of under-utilized devices.

In summary, the department is in the process of implementing significant improvements to its Wireless Communication Device system. The implementation of the quarterly review process, update of policies and procedures, and creation/maintenance of the Master WCD Inventory will address all recommendations made within Secretary of State report:

- Obtain from vendors cell phone billing and usage reports that identify cost saving opportunities and share those formats and analyses with other agencies as opportunities arise;
- Regularly review cell phone bills and vendor reports to identify zero use phones and usage patterns that indicate a line should be terminated or a plan should be adjusted;
- Update cell phone inventories now and immediately turn off all phones unaccounted for; and
- Update inventories periodically in the future, including accounting for phone returns and line terminations for separating employees.

The department will also share the methods for our quarterly review with Department of Administrative Services by August 28, 2009, so that they may share this information with other agencies.

Anticipated Completion Date:

All of the above actions will be completed by January 2010.

Contact Person:

Stella Transue, Administrator, Office of Contracts and Procurement

Thank you for the opportunity to respond to the draft audit. If you have any questions regarding our response, please contact Dave Lyda, DHS Chief Audit Officer at 503-945-6700.

Sincerely,

A handwritten signature in cursive script, appearing to read "Clyde Saiki".

Clyde Saiki
Deputy Director of Operations

CC: Jeremy Emerson, Deputy Assistant Director, Administrative Services
Stella Transue, Administrator, Office of Contracts and Procurement
Dave Lyda, Chief Audit Officer

August 12, 2009

Gary Blackmer, Director
Oregon Audits Division
255 Capitol Street NE, Suite 500
Salem, OR 97310

Dear Mr. Blackmer:

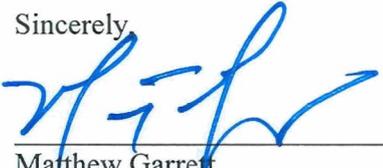
Following is our response to the Secretary of State Audit Report, State Cell Phone Plans review conducted from September 2008 through July 2009.

Thank you for the opportunity to review the audit report. ODOT generally agrees with the report contents and recommendations. We appreciate that the audit recognized ODOT for its efforts in reviewing phone usage reports and adjusting phone plans to meet business needs. We recognize the recommendations as representative of industry best practices and are committed to resolve all of the findings identified in the report. At this time, ODOT has implemented two of the four recommendations from this audit and is in the process of implementing the remaining two recommendations.

In addition to receiving and acting on audit reports from your office and from ODOT Audit Services, we participate actively in continuous improvement efforts to help us become more effective and efficient in our endeavors.

Thank you for your commitment to improving the overall efficiency of state government services.

Sincerely,



Matthew Garrett,
Director



Ben Berry,
CIO

Cc:

Lorna Youngs, Deputy Director, ODOT Central Services Division
Marlene Hartinger, Chief Auditor, ODOT Internal Audit Services
Sandra Hilton, Audit Manager, Oregon Audits Division





ODOT CIO Review Secretary of State Cell Phone Plans Audit

Ben Berry CIO
August 12, 2009

The Secretary of State offers the below recommendations to DHS, ODOT and DOC in response to the Cellular Usage Audit conducted September, 2008 through August, 2009. The Audit period covered April 1, 2007 through March 31, 2008 and “examined data from two of the three major vendors to identify usage patterns and determine whether the state was using cell phones efficiently.”

	Audit Recommendations	Response Summation	ODOT Status		
			Resolved	Partially Resolved	Needs Work
1	Obtain from vendors cell phone billing and usage reports that identify cost saving opportunities and share those formats and analyses internally and with other agencies.	ODOT is currently utilizing online account management tools sponsored by our cellular vendors to produce specialized reports and easily make account adjustments.			
2	Regularly review cell phone bills and vendor reports to identify zero use phones and usage patterns that indicate a line should be terminated or a plan should be adjusted.	Our Cellular Asset Site Coordinator training program is being updated to encourage collaboration between the billing processor and the CASC which will foster quicker resolution of plan adjustments and line terminations.			
3	Update cell phone inventories now and immediately turn off all phones unaccounted for.	ODOT anticipates the cellular inventory database will be current by September, 2009. Also, ODOT manages a website dedicated to cellular communication devices which offers resources including procedures in the event of an unaccounted for device.			
4	Update inventories periodically in the future, including accounting for phone returns and line terminations for separating employees.	ODOT's cellular inventory is updated in the event of new purchases, replacements, upgrades and removal of a device from our environment, cued by the Cellular Device Authorization Application form. Also, the ODOT Financial Administration and Standards Manual, article 5.10, mandates the use of the Employee Assigned Assets form and annual review of assigned assets as well as inventory updates.			
			2	2	0

State Cell Phone Plans Audit

Oregon Department of Transportation Response

Audit Report No. 2009-00

Audit Period: April 1, 2007 - March 31, 2008

Recommendation	Resolved Partially Resolved Unresolved No Longer Applicable	Describe Action Taken/Provide Explanation If Unresolved
<p>1. Obtain from vendors cell phone billing and usage reports that identify cost saving opportunities and share those formats and analyses among themselves and other agencies.</p>	<p>PARTIALLY RESOLVED</p>	<p><u>Vendor Reports:</u> ODOT is currently making use of online account management tools sponsored by our cellular vendors to review billing, produce specialized reports and make account adjustments. These online tools offer the ability to identify the greatest users of voice or data services as well as zero use devices. With this information the CASC can contact the wireless user and their manager to determine the best business solution. This may mean making plan adjustments, even if the usage impact is only temporary.</p> <p><u>Policies and Procedures:</u> The Cellular Asset Site Coordinator (CASC) and the billing processor is not always the same individual. Our CASC training program is being updated to encourage communication and collaboration between these two positions. Establishing and implementing policies and procedures to assure CASCs have access to the billing (whether through online tools or paper invoices) will foster quicker detection and resolution of zero-use devices and plan adjustments, and that is our goal.</p> <p><u>ODOT Work With Other Agencies:</u> The ODOT Cellular Program is currently in the process of coordinating meetings with DHS and DOC to discuss best practices and communicate process improvements resulting in cost savings.</p>

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Recommendation	Resolved Partially Resolved Unresolved No Longer Applicable	Describe Action Taken/Provide Explanation If Unresolved
<p>2. Regularly review cell phone bills and vendor reports to identify zero use phones and usage patterns that indicate a line should be terminated or a plan should be adjusted.</p>	<p>PARTIALLY RESOLVED</p>	<p><u>Review of Usage Patterns and Plans:</u> ODOT is currently making use of online account management tools sponsored by our cellular vendors to help produce specialized reports and make account adjustments. These online tools offer the ability to identify the greatest users of voice or data services as well as zero use devices. With this information the CASC can contact the wireless user and their manager to determine the best business solution. This may mean making plan adjustments, even if the usage impact is only temporary.</p> <p>Listed on the CASC Responsibilities Reference Sheet, posted on ODOT's intranet, are the following responsibilities covering plan adjustments:</p> <ul style="list-style-type: none"> • Changing and cancelling plan services when needed – able to address plan services and coverage issues with the vendor. • Updating wireless number accounts through Vendor's online websites – if you are not setup, send an email to <u>ODOT Cellular Tracking</u> with the vendor name and the account number(s) and you will be granted access. • Providing guidance to the user and manager to determine the best device and plan needed – providing options using the <u>Cellular Website</u>. <p><u>Policies and Procedures:</u> The Cellular Asset Site Coordinator (CASC) and the billing processor is not always the same individual. Our CASC training program is being updated to encourage communication and collaboration between these two positions. Establishing and implementing policies and procedures to assure CASCs have access to the billing (whether through online tools or paper invoices) will foster quicker detection and resolution of zero-use devices and plan adjustments. The Cellular Program is in the process of creating a CASC training focusing on billing analysis for zero-use detection and plan adjustments resulting in cost savings. CASCs will be required to analyze plans on a quarterly basis and submit a standardized report to the Cellular Program with results of the analysis. The Cellular Program currently has written documentation outlining the process to analyze vendor reports for zero usage and plan optimization.</p>

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Recommendation	Resolved Partially Resolved Unresolved No Longer Applicable	Describe Action Taken/Provide Explanation If Unresolved
<p>3. Update cell phone inventories now and immediately turn off all phones unaccounted for.</p>	<p>RESOLVED</p>	<p><u>Update Cell Phone Inventories:</u> The audit period covered April 1, 2007 through March 31, 2008. ODOT rolled out its cellular policy and subsequent Remedy cellular inventory database in August of 2007. At the time of policy rollout, the directive was to build the database moving forward. ODOT has since reexamined this decision and has begun capturing devices that were purchased prior to policy. Accuracy will continue to improve as the 2 year cellular device lifecycles expire and the replacement devices are entered into the inventory database. We anticipate ODOT's cellular inventory database will be current by September, 2009.</p> <p><u>Immediately Turn Off All Unaccounted Devices:</u> The Cellular Asset Site Coordinator (CASC) training program began at the advent of ODOT's cellular policy rollout in August, 2007, five months into the audit period. Since then, the ODOT Cellular Program Coordinator (CPC) has created an intranet site as an information resource for cellular-based communication devices. It can be found at: http://intranet.odot.state.or.us/techmgt/cellular_devices.htm.</p> <p>Within this site, one can find the ODOT cellular policy, how to protect your mobile device, cellular vendor contacts, a list of CASCs, CASC responsibilities and procedures.</p> <p>Additionally, listed clearly on the homepage of the cellular-based communication devices website is instruction to "<u>Report Lost or Stolen Devices to your Manager and Cellular Asset Site Coordinator</u>". This caption also offers a link to the list of CASC's so that an employee may contact the correct coordinator in the event of an unaccounted for device. Per procedure, this coordinator would then immediately discontinue the cellular service.</p> <p>We recognize the importance of this matter and support it through training delivered by the CPC and readily available resources including policy and procedure.</p>

State Cell Phone Plans Audit

Recommendation	Resolved Partially Resolved Unresolved No Longer Applicable	Describe Action Taken/Provide Explanation If Unresolved
<p>4. Update inventories periodically in the future, including accounting for phone returns and line terminations for separating employees.</p>	<p>RESOLVED</p>	<p>ODOT's cellular inventory database is updated in the event of new purchases, replacements, upgrades and removal of a device from our environment. These database updates are cued by the Cellular Device Authorization Application (CDAA) form, which is completed by the Cellular Asset Site Coordinators (CASC) when a cellular request or update comes to their attention. The form is then forwarded to the ODOT Cellular Program Coordinator (CPC) for cellular inventory database updates.</p> <p>Additionally, the ODOT Financial Administration and Standards Manual (FASM), article 5.10, states the purpose and procedure of the Employee Assigned Assets form (EAA). A state-owned cellular device is listed as an assigned asset and is subject to the standards identified within Article 5.10, including, but not limited to:</p> <p>“Department managers/supervisors shall maintain a record of all state-owned assets assigned to Department employees, volunteers and contractors. The assets assigned to each individual shall be documented by completing an <i>ODOT Inventory of Employee Assigned Assets (731-0458)</i> form. The original signed forms and subsequent updates shall be maintained on file and made available for audit upon request. <u>Managers/supervisors are responsible for reviewing asset assignments on an annual basis and updating the inventory records accordingly.</u> It is recommended that review/update of assigned assets involving Department employees be done as part of the annual performance review process.”</p> <p>During the course of this audit, ODOT has recognized potential for additional improvement and has made the following process enhancements:</p> <ul style="list-style-type: none"> The New Employee Orientation packet, which is distributed by Human Resources to every new ODOT employee for review with their manager, now includes the Employee Assigned Asset Form. This will introduce all managers, including those who may be unfamiliar with FASM, to the document and standard that it supports. • The ODOT Human Resources Handbook for Managers has been updated to include reference to and language of FASM 5.10. With more visibility of this standard, greater compliance with the EAA form will be reached, thus leading to greater inventory accuracy.



Oregon

Theodore R. Kulongoski, Governor

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August 10, 2009

Sandra K. Hilton, CPA
Audit Manager
Office of the Secretary of State
Audits Division
255 Capitol Street NE, Suite 500
Salem, OR 97310

Dear Ms. Hilton:

Thank you for the opportunity to respond to the recommendations in your report *State Cell Phone Plans: Closer Attention to Usage Could Create Savings*. You will find our response to each recommendation below:

Obtain from vendors cell phone billing and usage reports that identify cost saving opportunities.

We agree. DOC is currently working on the process to import billing information provided by our cell providers into our Telsoft call accounting software. This will create a central repository of billing information that will be used to provide monthly reports to managers for review of their staff's usage. Once implemented, DOC will gain an additional level of monitoring of cell phone usage. DOC has encountered challenges in this process such as the providers' ability to provide this information in a usable digital format. DOC will be willing to help other agencies implement this solution.

Regularly review cell phone bills and vendor reports to identify zero use phones and usage patterns that indicate a line should be terminated or a plan should be adjusted.

We agree. DOC already demonstrated success in assigning the correct service plans to phones. We will increase our efforts of reviewing the top users, in both cost and minutes, to optimize the assigned billing plans. DOC hopes the implementation of its central billing repository referred to above will also assist in increasing our effectiveness in this area.

DOC has proactively moved the majority of the cell service into pooled minute's service plans. This eliminates unexpected costs if a cell phone is used outside of its lesser cost service plan. We will continue to review the staff usage for cost abnormalities, and the vendor services options to meet the business requirements within the best rate plan.

Update cell phone inventories now and immediately turn off all phones unaccounted for.

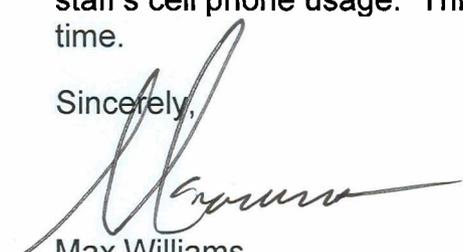
We agree. DOC is in the process of implementing new inventory and verification processes. A new inventory form for each cellular device will be sent to the responsible manager for inventory verification and to validate the current employee is in possession of the phone issued. This process will allow DOC to verify which staff each phone is assigned to. The staff member's manager will maintain a copy of the signed inventory form. The returned forms will be compared against the cell phone billing statements and will allow DOC to identify and address any anomalies. Unaccounted for cell phones will have their service cancelled.

Update inventories periodically in the future including accounting for phone returns and line terminations for separating employees.

We Agree. DOC has updated the cell phone policy including clarifying responsibilities when staff separate from the department. The policy prohibits redistribution of cell phones between staff when the staff terminates employment or no longer needs the cellular device.

These policies and enhanced management processes will improve inventory and tracking of cell phones. Monthly reports will be sent to managers detailing their staff's cell phone usage. This will allow them to track inventories at the same time.

Sincerely,



Max Williams
Director

Cc: Jamie Breyman, Internal Audit Administrator
Tami Dohrman, Assistant Director, General Services Division
Lloyd Lowry, IT Administrator

ABOUT THE SECRETARY OF STATE AUDITS DIVISION

The Oregon Constitution provides that the Secretary of State shall be, by virtue of his office, Auditor of Public Accounts. The Audits Division exists to carry out this duty. The division reports to the elected Secretary of State and is independent of the Executive, Legislative, and Judicial branches of Oregon government. The division audits all state officers, agencies, boards, and commissions and oversees audits and financial reporting for local governments.

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The courtesies and cooperation extended by officials and employees of the Departments of Administrative Services, Human Services, Transportation and Corrections during the course of this audit were commendable and sincerely appreciated.

