

Memorandum

TO: Gerald A. Silva
City Auditor

FROM: James R. Helmer
Acting CIO

**SUBJECT: RESPONSE TO THE AUDIT OF
CITY'S CELLULAR PHONE
PROGRAM**

DATE: 11-10-04

Approved

Date

The Administration has reviewed the Audit of City's Cellular Phone Program and is in general agreement with the recommendations of the audit. This document responds to each recommendation, outlines the workplans to address the issues that were brought up by the Auditor, and includes recent measures which the Administration has already taken to improve the cellular phone management and authorization process.

A major accomplishment that responds to the issues raised in the audit is development of a revised Cellular Telephone Policy that is currently under review by City departments, as well as the City Labor Alliance. Comments are due to the Administration by November 12. The policy may be finalized by November 18, the date on which the Making Government Work Better Committee is scheduled for the presentation on the Cellular Phone Program Audit. If not, we expect that it will be completed in time for the December meeting of the Committee. The draft revised policy, authorization form, and reimbursement form are attached.

Recommendation #1: Develop and use a universal written cell phone authorization form that incorporates the elements of the City's Wireless Telephone policy; Conduct a reauthorization review to identify unnecessary cellular phones and appropriately authorize necessary cellular phones; Amend the City's existing Wireless Telephone Policy to require departments to regularly review cellular phone usage. (Priority 1)

The following has been done to address these recommendations:

- A Cellular Phone Authorization Form has been developed and will be used by all departments to authorize new cell phone requests, to perform an annual reauthorization process on every phone, and to request replacement phones for those that are lost, stolen, or malfunction. Among other things the form documents Department Director approval and requires a signature from the employee indicating that they have read and understand the City's Cellular Telephone Policy.
- The Cellular Phone Authorization Form is being used by every department to conduct a review of all City cellular phones that includes all employees who have been approved in the past for a city-issued cellular phone. The reauthorization process is expected to be completed by November 30, 2004.
- The City's Cellular Telephone Policy has been amended to accomplish several goals including the requirement that Department Directors review requests from employees and

approve cellular phones based on meeting specific criteria. Department Directors are also responsible for ensuring a review of cellular telephone usage on an annual basis for the purpose of identifying phones that may no longer be needed or that may be underutilized.

Recommendation #2: Develop a process to guide departments in identifying cellular phone abuse; Review existing City-issued cellular phones to identify users'/departments' ownership and update vendor records to include current information. (Priority 2)

The amended Policy clarifies past ambiguities regarding the use of City cellular phones for personal use. To ensure appropriate reimbursement for personal cellular phone use, the amended Policy provides two options: 1) City-issued cellular phones provided to employees for Official City Business only with personal use allowed only in the event of emergency; or 2) provision of a nominal monthly stipend in conjunction with use of personal cellular phones. Under this revised program, the instances in which reimbursement is required will be limited. The amended Policy continues to require the reimbursement of all personal calls on a monthly basis but adds the requirement of a signed statement when no personal calls are made. Implementation of the revised policy will result in a reduction of staff time currently devoted to reviewing monthly cell phone bills for reimbursement to the City.

The nominal stipend proposed is \$35 per month, based on analysis of cellular plan costs that the City has incurred over the past year. The average monthly bill is in the range of \$42; hence the \$35 stipend is reasonable. The revised policy provides for an annual review to establish the appropriate figure for the stipend.

The revised Cellular Phone Authorization Form identifies criteria that assist the Department Director in making the decision on the option, once it is determined that the employee requires use of a cell phone.

Recommendation #3: Properly document that employee reimbursements for personal use of City-issued cellular phones are made, received, and posted to the City financial records. (Priority 2)

The amended Policy provides clear procedures for the reimbursement to the City for personal use of cellular phones. A standardized Cellular Phone Reimbursement Form has been developed that documents the proof of reimbursement payment and the justification for emergency personal calls or a statement of no reimbursement necessary.

Recommendation #4: Authorize one individual in each department to oversee the issuance, use of, and employee reimbursements for personal use of City-issued cellular phones, and ensure compliance with the City's Wireless Telephone Policy. (Priority 2)

The amended Policy, the Cellular Phone Authorization Form, and the Cellular Phone Reimbursement Form all require that the Department Director or designee sign-off on all cell phone related activities.

Recommendation #5: Consider changing the reimbursement rate for personal use of City-issued cellular phones to reflect the actual cost of cellular phone usage and; Consider alternative to reduce personal call subsidies and Cellular Phone Program administration costs. (Priority 1)

The reimbursement rate is under review. However, the final rate cannot be determined until the City completes its review of cell phone plan options including the use of the stipend. The amended Policy strengthens the requirement that City-issued cell phones are for City business only. The amended Policy also includes provisions for a monthly stipend to be offered at the Department's discretion in-lieu of issuing a City cellular phone. This will greatly reduce the need to monitor reimbursements. Under the proposed program that offers stipends, it is anticipated that the number of cellular phones and aggregate number of minutes used under the City plan will be reduced as a result, it will be necessary to determine the number and profile of users of City-issued cell phones in order to complete an analysis of the most cost effective plan and complete the procurement process for a new plan. We expect that this will be completed within six months of adoption of the revised cellular phone program.

Recommendation #6: Update the City's Wireless Telephone Policy to reflect new information and reflect Recommendations 1 to 5 in the report. (Priority 3)

As stated, the City has drafted an amended Cellular Telephone Policy that address all of the issues raised with the audit.

CONCLUSION:

Much progress has been made over the last few months. The City has revised the Cellular Telephone Policy, developed standardized forms to be used by all departments for the authorization of cellular phones and for the reimbursement of personal calls, and is conducting a reauthorization effort of all cellular phones in the City. The City is currently evaluating cellular phone plan options, including the possibility of a citywide-pooled minutes plan that was recommended by the Auditor for consideration and discussed at the Making Government Work Better Committee meeting in August,

The Administration is committed to fully implement the amended City Cellular Telephone Policy within the next six months.

Please contact me at extension 5648 if you have questions.

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City of San Jose

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Subject: Response to the Audit of the City's Cellular Phone Program

Page 4