



**Office of the City Auditor**

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**Report to the City Council  
City of San José**

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**AN AUDIT OF THE CITY'S  
CELLULAR PHONE PROGRAM**

**Weak Control Over The City's Cellular  
Phone Program Increases The Risk Of  
Abuse**

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**Report 04-07  
November 2004**



## CITY OF SAN JOSÉ, CALIFORNIA

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GERALD A. SILVA  
City Auditor

November 12, 2004

Honorable Mayor and Members  
of the City Council  
801 North First Street, Room 600  
San Jose, CA 95110

Transmitted herewith is a report on *An Audit Of The City's Cellular Phone Program*. This report is in accordance with City Charter Section 805. An Executive Summary is presented on the blue pages in the front of this report. The City Administration's response is shown on the yellow pages before the appendices.

This report will be presented to the Making Government Work Better Committee at its November 18, 2004, meeting. If you need any additional information, please let me know. The City Auditor's staff members who participated in the preparation of this report are Eduardo Luna and Chris Constantin.

Respectfully submitted,

Gerald A. Silva  
City Auditor

finaltr  
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## Executive Summary

In accordance with the City Auditor's 2003-04 Workplan, we have audited the Information Technology Department (ITD). Specifically, we audited the City's Cellular Phone Program. We conducted this audit in accordance with generally accepted government auditing standards and limited our work to those areas specified in the Scope and Methodology section of this report.

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### Finding I

### **Weak Control Over The City's Cellular Phone Program Increases The Risk Of Abuse**

During our audit of the City's Cellular Phone Program, we identified that the Program did not have adequate control over the acquisition and use of, and employee reimbursements for City cellular phones. Accordingly, we reviewed employee cellular phone usage information to identify inefficiencies or potential abuses. We also reviewed department processes for acquiring and authorizing cellular phones, reviewing for potential abuses, and collecting and processing employee reimbursements. We found that:

- The City has about 450 cellular phones with limited or no use;
- Departments do not consistently follow the City's Wireless Telephone Policy regarding the authorization to purchase and use a cellular phone for City business;
- City cellular phone usage indicates potential abuses;
- City departments do not consistently collect and report employee reimbursements for personal uses of City-issued cellular phones;
- The City reimbursement rate for personal calls is not cost recovery; and
- The City's Wireless Telephone Policy needs updating.

The City can strengthen controls over the Cellular Phone Program by 1) documenting procedures for the authorization and approval of cellular phone purchase and use; 2) developing a process to regularly review City cellular phone usage and

vendor information for accuracy, abuse, and completeness; 3) implementing consistent and appropriate control of reimbursement processing and collections; 4) considering changing the reimbursement rate for personal use of City issued cellular phones; 5) considering alternatives to reduce personal call subsidies and improve the Cellular Phone Program administration; and 6) revising the outdated Wireless Telephone Policy.

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## RECOMMENDATIONS

We recommend the City Administration and Departments:

- Recommendation #1**
- **Develop and use a universal written cellular 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, and**
  - **Amend the City's existing Wireless Telephone Policy to require departments to regularly review cellular phone usage. (Priority 1)**
- Recommendation #2**
- **Develop a process to guide departments in identifying cellular phone abuse and**
  - **Review existing City-issued cellular phones to identify users'/departments' ownership and update vendor records to include current information. (Priority 2)**

We recommend that Departments:

- 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)**
- 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)**

We recommend the City Administration:

**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 alternatives to reduce personal call subsidies and Cellular Phone Program administration costs. (Priority 1)**

**Recommendation #6**

**Update the City's Wireless Telephone Policy to reflect new information and reflect Recommendations 1 to 5 in this report. (Priority 3)**

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# Introduction

In accordance with the City Auditor's 2003-04 Workplan, we have audited the Information Technology Department (ITD). Specifically, we audited the City's Cellular Phone Program. We conducted this audit in accordance with generally accepted government auditing standards and limited our work to those areas specified in the Scope and Methodology section of this report.

The City Auditor's Office thanks the Information Technology Department (ITD), and other City staff for giving their time, information, insight, and cooperation during the audit process.

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## Background

The City maintains a Citywide Wireless Telephone Policy (Wireless Telephone Policy) established in 1989 and revised in 1994. It governs the acquisition, use, and personal call reimbursement for City cellular phones. According to the Wireless Telephone Policy, City cellular phones enhance the operational effectiveness and efficiency of staff while away from the office and are invaluable during emergencies. Moreover, the Wireless Telephone Policy acknowledges that cellular phones are costly to operate and expenditures need to be controlled.

The Wireless Telephone Policy specifies that the City limits the purchase and use of cellular phones to limited circumstances when other means of communication are determined to be infeasible or impractical. The Wireless Telephone Policy sets out four eligibility criteria for approving the purchase and/or use of a cellular telephone for official City business – that are:

- Necessary for promoting public or employee safety,
- Required by Executive Staff by the nature of their jobs to spend a significant amount of time in their vehicles and who receive a high volume of time-sensitive calls,
- Unquestionably needed given job responsibilities for cellular communication, or
- Approved by the City Manager for official City business.

Additionally, the Wireless Telephone Policy allows for personal use of cellular telephones, which the employee deems appropriate or necessary. The Wireless Telephone Policy outlines a process for reimbursement to the City for personal use of City cellular phones. The City Administration is revising its reimbursement policy.

*City's Cellular  
Phone Program*

Prior to 2003-04, the Information Technology Department (ITD) administered the Citywide Cellular Phone Program. Specifically, the ITD coordinated cellular phone activations, equipment purchases, billings, and reimbursements. In 2003-04, the ITD decentralized the City's Cellular Phone Program into the respective City departments<sup>1</sup>. City departments are now responsible for ordering cellular phones, paying for phone bills, and tracking personal usage and reimbursements.

According to past reports for March 2003 to February 2004, the City had about 1,600 cellular phones. The combined annual usage was over 5.2 million minutes with a cost of about \$930,000. As of July 2004, AT&T and Nextel report that the City has 1,420 active AT&T and 208 active Nextel cellular phones with a combined annual usage of about 5.3 million minutes.

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**Audit Objective,  
Scope, And  
Methodology**

Our audit objective was to review the City's Cellular Phone Program and identify control weakness regarding compliance with the Wireless Telephone Policy and potential abuse.

We reviewed electronic usage information for about 1,400 AT&T phones for March 2003 to February 2004. We did not review electronic usage information for the City's over 200 Nextel phones, as that information was not readily available. Nor did we review usage information data for the cellular phones assigned to the offices of the Mayor and City Council because of City Charter Section 805 limitations.<sup>2</sup>

We conducted electronic data reliability tests by comparing AT&T database information to written paper bills. We interviewed staff from City departments and documented the

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<sup>1</sup>The IT Department retained control of Mayor, City Council, City Manager's Office and Retirement cellular phones.

<sup>2</sup>City Charter Section 805(d) states in pertinent part "The City Auditor shall have access to and authority to examine any and all documents...and other property of any City Department Office or agency...with the exception of the Office of any elected official."

processes for phone authorization/use, usage review and personal call reimbursements. We provided summaries of interviews to staff for factual confirmation.

The Office of Employee Relations is reviewing cellular phone usage information to follow-up for possible personnel action. We are assisting Employee Relations in its review.

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**Major  
Accomplishments  
Related To This  
Program**

In Appendix B, the Interim IT Director informs us of the City's Cellular Phone Program accomplishments.

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## **Finding I**

### **Weak Control Over The City's Cellular Phone Program Increases The Risk Of Abuse**

During our audit of the City's Cellular Phone Program, we identified that the Program did not have adequate control over the acquisition and use of, and employee reimbursements for City cellular phones. Accordingly, we reviewed employee cellular phone usage information to identify inefficiencies or potential abuses. We also reviewed department processes for acquiring and authorizing cellular phones, reviewing for potential abuses, and collecting and processing employee reimbursements. We found that:

- The City has about 450 cellular phones with limited or no use;
- Departments do not consistently follow the City's Wireless Telephone Policy regarding the authorization to purchase and use a cellular phone for City business;
- City cellular phone usage indicates potential abuses;
- City departments do not consistently collect and report employee reimbursements for personal uses of City-issued cellular phones;
- The City reimbursement rate for personal calls is not cost recovery; and
- The City's Wireless Telephone Policy needs updating.

The City can strengthen controls over the Cellular Phone Program by 1) documenting procedures for the authorization and approval of cellular phone purchase and use; 2) developing a process to regularly review City cellular phone usage and vendor information for accuracy, abuse, and completeness; 3) implementing consistent and appropriate control of reimbursement processing and collections; 4) considering changing the reimbursement rate for personal use of City issued cellular phones; 5) considering alternatives to reduce personal call subsidies and improve the Cellular Phone Program administration; and 6) revising the outdated Wireless Telephone Policy.

**The City Has About 450 Cellular Phones With Limited Or No Use**

The City retains and pays for 444 cellular phones with limited to no usage. Specifically, we found that the City has about 165 cellular phones with no usage and about 279 cellular phones with limited use under six hours (or 30 minutes per month). We should note that some cellular phones with limited use do serve a useful City purpose. For example, the San Jose Fire Department (SJFD) told us that it dedicates about 50 cellular phones to engines for use during emergency calls. Twenty of these cellular phones were removed from the limited or no-use phones. The City spent almost \$64,000 on these cellular phones with limited or no use.

**Exhibit 1 Limited To Low Use Phone Costs And Usage**

<b>Number Of Annual Minutes</b>	<b>Number Of Phones</b>	<b>Annual Cost</b>
0	165	\$9,101
1 to 50	80	\$12,958
51 to 100	58	\$11,560
101 to 150	31	\$6,512
151 to 200	27	\$5,384
201 to 250	24	\$5,319
251 to 300	23	\$4,598
301 to 360	36	\$8,239
<b>Totals</b>	444	\$63,671

**Departments Do Not Consistently Follow The City's Wireless Telephone Policy Regarding The Authorization To Purchase And Use A Cellular Phone For City Business**

The Citywide Wireless Telephone Policy requires that departments must submit a Department Director-signed request for authorization to purchase and use a cellular phone for City business. According to the Wireless Telephone Policy, the request form should include specific information regarding the use of a cellular phone. Specifically, the form should include information about the potential savings resulting from having a cellular phone, projected annual costs, and employee job responsibilities that necessitate the need for a City-issued cellular phone.

We found that departments do not consistently follow the City’s Wireless Telephone Policy. Departments use different methods for authorizing the purchase and use of City cellular phones. Some of these methods do not include their Department Director’s signature or the information outlined in the Wireless Telephone Policy. Additionally, most departments do not conduct regular assessments of cellular phone use to identify any unnecessary cellular phones. This increases the risk that the City will pay for unnecessary cellular phones.

In our opinion, the City should create and maintain one authorization form that includes specific information to comply with the City’s Wireless Telephone Policy and document Department Director approval. The form should include a signature from the employee indicating that the employee has read the City Wireless Telephone Policy and will abide by it. Moreover, the departments should undertake a thorough review and reauthorization to eliminate cellular phones that are unnecessary and to document Department Director authorization using the new City form. Further, the City should amend the existing Wireless Telephone Policy to require departments to regularly review cellular phone usage to identify those cellular phones that are no longer needed.

We recommend the City Administration and Departments:

- Recommendation #1**
- **Develop and use a universal written cellular 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, and**
  - **Amend the City’s existing Wireless Telephone Policy to require departments to regularly review cellular phone usage. (Priority 1)**

**City Cellular Phone Usage Indicates Potential Abuse**

The City’s Wireless Telephone Policy states that employees should not use City-issued cellular telephones for regular personal purposes and that employees should exercise reasonable discretion in doing so. We found that City employees placed over 270,000 minutes of cellular phone calls to 24 non-408 California area codes and about 27,000 minutes of calls to 48 other states and ten countries. Further, City employees used City-issued cellular phones to regularly make

calls during off-work hours and for personal use. We found that there were nine departments that exceeded 12,000 minutes per year of non-408 area code out going calls.

During our review of the cellular phone call data, we found some employees with abnormally high usage and/or significant out of area and/or weekend calling. Specifically, we identified over 100 non-public safety employees with fairly consistent City-issued cellular phone usage seven days a week. Further, we found examples of employees using City-issued cellular phones to make a significant number of calls to non-408 area code numbers for which the employees paid little or no reimbursements to the City.

In our opinion, our analysis indicates possible violations of the City's Wireless Telephone Policy standard of appropriate and reasonable usage for personal use. We should note that some long distance and weekend usage may be legitimate. For example, Code Enforcement and Building inspectors call property owners and contractors outside of the local area. Additionally, some Code Enforcement inspectors work scheduled shifts on the weekends.

*Inconsistent Review  
Of City Cellular  
Phone To Identify  
Personal Calls*

We found that departments do not consistently review bills to ensure that users do not use City cellular phones excessively for personal purposes.

The Citywide Wireless Telephone Policy states:

*"... (personal usage shall) be limited to those calls which, in the reasonable discretion of the employee, are deemed to be appropriate. All City employees must continuously strive to minimize costs."*

The City does not have a process to guide departments in identifying cellular phone abuse. We found that most of the departments rely on employees' self-reporting personal call usage. Further, some departments rely on one or two employees or supervisors to review numerous bills with high call volumes every month. In our opinion, the high volume and limited staff review increase the risk that excessive personal calls or other cellular phone abuses go unnoticed.

In our opinion, the City should develop a process to guide departments in efficiently and effectively reviewing electronic usage information regularly. Departments should initiate



reviews of existing phones to identify users’/departments’ ownership and update vendor records to include current information.

We recommend the City Administration and Departments:

**Recommendation #2**

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

**City Departments Do Not Consistently Collect And Report Employee Reimbursements For Personal Uses Of City-Issued Cellular Phones**

The Citywide Wireless Telephone Policy states:

*“Employees ... are required to review their monthly phone bills and reimburse the City for all charges associated with their personal calls, including toll charges, air time charges, and roomer [sic] charges, if any.”*

We found that departments do not consistently collect and report employee reimbursement for personal uses of City-issued cellular phones. Some departments provide copies of monthly bills to employees for review and reimbursement of personal call purposes, while others do not. Some departments highlight personal calls on these bills and require employees to sign a form indicating that he or she reviewed the bill. Other departments do not provide copies of bills to employees on a monthly basis and do not follow a consistent, documented process to identify personal calls and collect proper reimbursements.

We also found that controls over employee payments for personal calls vary by department. In our opinion, this lack of consistency significantly increases the risk that employee reimbursements for personal calls will not be properly handled or recorded in the City’s financial records. In some departments, there is little or no documentation over employee reimbursements for personal cellular phone calls.

In our opinion, the City needs to properly document that employee reimbursement for personal use of City-issued cellular phones are paid, received, and posted to the City financial records.

The City's Wireless Telephone Policy also specifies that Department Directors are responsible for assuring that the use of cellular telephones in their departments follow the City's Wireless Telephone Policy. However, we found that, in general, Directors are not sufficiently involved in ensuring departmental compliance with the City's Wireless Telephone Policy. In our opinion, each director should authorize one individual in their 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.

We recommend that Departments:

**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)**

**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)**

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**The City Reimbursement Rate For Personal Calls Is Not Cost Recovery**

The City's Wireless Telephone Policy requires employees to reimburse for personal calls. We found that the \$0.12 per minute reimbursement rate does not cover the City's actual cost for each minute of usage. We calculated cost per minute by dividing each user's annual charges by their total usage. Specifically, we found that about 1,200 City-issued cellular phones exceeded an average cost of \$0.12 per minute. This indicates that reimbursements for personal calls may not be cost recovery, and the City subsidizes employees for making personal calls.

There are other options to improve the City's ability to reduce the risk of subsidizing personal cellular phone calls. For example, the City could provide employees with stipends to reduce the need to collect reimbursements and reduce the

administrative cost of reviewing bills for abuse and processing reimbursements. The City could also restrict the use of City cellular phones to only official business use.

In our opinion, the City should consider changing the reimbursement rate for personal use of City-issued cellular phones to reflect the actual cost of cellular phone usage. The City should also consider alternatives to reduce the potential for personal call subsidies and reduce administrative costs of the City's Cellular Phone Program.

We recommend the City Administration:

**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 alternatives to reduce personal call subsidies and Cellular Phone Program administration costs. (Priority 1)**

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**The City's Wireless Telephone Policy Needs Updating**

The City's Wireless Telephone Policy became effective in July 1989 and the City revised it in August 1994. A February 2001 addendum to the Wireless Telephone Policy indicates that the City is in the process of revising the Wireless Telephone Policy. As of November 2004, the City is still revising the Wireless Telephone Policy. The City needs to update its Wireless Telephone Policy to reflect current information and to add language to tighten controls over its Cellular Phone Program.

The Wireless Telephone Policy includes outdated information. For example, the Wireless Telephone Policy refers to the General Services Communication Management Division which the City moved to the Information Technology Department in 1996-97. In addition, the Wireless Telephone Policy is written to support a centralized cellular phone program when in fact the City decentralized the program into individual departments in 2003-04. In our opinion, the City should update the Wireless Telephone Policy to reflect new information and to address the recommendations in this report.

We recommend that the City Administration:

**Recommendation #6**

**Update the City's Wireless Telephone Policy to reflect new information and reflect Recommendations 1 to 5 in this report. (Priority 3)**

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**CONCLUSION**

During our audit of the City's Cellular Phone Program, we identified that the Program did not have adequate control over the acquisition and use of, and employee reimbursements for City cellular phones. As a result, the City is exposed to the risk of inefficient cellular phone use and abuse. We also identified inconsistencies between the City Wireless Telephone Policy and department processes for acquiring and authorizing cellular phones, reviewing for potential abuses, and collecting and processing employee reimbursements. We also found that the City's cellular phone reimbursement rate is not cost recovery, and the City's Wireless Telephone Policy is out of date.

The City can strengthen controls over the Cellular Phone Program by 1) documenting procedures for the authorization and approval of cellular phone purchases and use, 2) developing procedures to regularly review City employee usage of City-issued cellular phones, 3) consistently processing and reporting employee payments for personal uses of City-issued cellular phones, 4) considering changing the reimbursement rate for personal use of City-issued cellular phones, 5) considering alternatives to reduce personal call subsidies and improve the Cellular Phone Program administration, and 6) updating the City's Wireless Telephone Phone Policy.

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**RECOMMENDATIONS**

We recommend the City Administration and Departments:

- Recommendation #1**
- **Develop and use a universal written cellular 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, and**
  - **Amend the City’s existing Wireless Telephone Policy to require departments to regularly review cellular phone usage. (Priority 1)**
- Recommendation #2**
- **Develop a process to guide departments in identifying cellular phone abuse and**
  - **Review existing City-issued cellular phones to identify users’/departments’ ownership and update vendor records to include current information. (Priority 2)**

We recommend that Departments:

- 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)**
- 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)**

We recommend the City Administration:

- 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 alternatives to reduce personal call subsidies and Cellular Phone Program administration costs. (Priority 1)**

We recommend the City Administration:

**Recommendation #6**

**Update the City's Wireless Telephone Policy to reflect new information and reflect Recommendations 1 to 5 in this report. (Priority 3)**

## Other Pertinent Information

*Cellular Phone  
Plans Are Not Cost  
Efficient And Result  
In Extra  
Unnecessary  
Charges*

The City's Wireless Telephone Policy clearly states that cellular phones are costly to operate and expenditures need to be controlled. However, we found that the City incurred over \$200,000 in overage and extra charges above the standard monthly charge for City cellular phones. In August 2004, we presented a memorandum to the Making Government Work Better Committee recommending an alternative to reducing overage and extra charges.

Generally, each employee has a cellular phone plan with a specified number of minutes, or bucket, and usage over the bucket incurs overage charges. Each plan also includes a limit on the service area where calls can be made and received without incurring additional charges such as long distance charges. These areas can range from the local area to national plans. AT&T records indicate that the City maintains over 50 different rate plans.

The following table shows the number of calls that incurred extra charges and the total amount for these calls. There were 548,306 calls out of a total of 1,828,748 calls that incurred extra charges.

**Exhibit 2      Calls Incurring Extra Charges**

<b>Department</b>	<b>Total Extra Charges</b>	<b>Number Of Calls</b>
Airport	\$10,447	23,428
CAE	\$1,076	3,078
City Attorney	\$643	2,018
City Manager	\$2,287	5,007
DOT	\$31,487	102,833
ESD	\$12,119	36,721
Finance	\$669	825
Fire	\$20,348	56,015
General Services	\$21,470	61,844
Housing	\$2,761	7,555
HR	\$662	1,511
ITD	\$5,915	18,842
Library	\$2,166	8,592
N/A	\$1,750	6,895
OED	\$3,049	5,100
PBCE	\$20,617	48,430
Police	\$16,894	25,768
PRNS	\$19,751	51,214
Public Works	\$33,069	82,218
RDA	\$369	412
<b>Total</b>	<b>\$207,549</b>	<b>548,306</b>

Source: AT&T data.

We conducted a survey of cellular phone vendors to identify a lower-cost solution and presented our results to the Making Government Work Better Committee on August 19, 2004. (See Appendix C). Vendors offered less expensive pool plans that appear to better serve the City's need and may reduce extra charges. A pooled plan combines all cellular phone user minutes into one large City pool instead of providing smaller buckets to individual users. The survey includes plans with national service coverage and adequate pools of minutes to cover our existing usage. This pooled plan provides an alternative to reduce the likelihood that employees exceed their individual plan minutes or service area and incur extra charges.



# 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

*Kay Winer*

Date

*11/10/04*

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)**

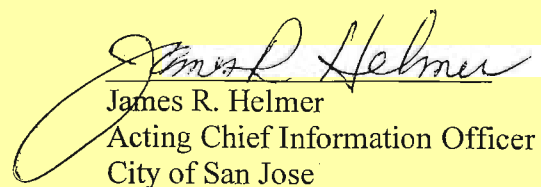
As stated, the City has drafted an amended Cellular Telephone Policy that address all of the issues raised with the audit.

**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.

  
James R. Helmer  
Acting Chief Information Officer  
City of San Jose

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**Cellular Telephone Policy****Section 3.11****PURPOSE**

To provide guidelines and criteria regarding the purchase and use of cellular telephones.

**SCOPE**

This policy applies to all City of San Jose employees requesting the purchase and use of cellular telephones.

**POLICY**

It is recognized that cellular telephones are valuable in times of emergency. In addition, they can enhance the operational effectiveness and efficiency of staff while away from the office and other means of telecommunication. Although the value of cellular telephones is recognized, they are costly to operate, and expenditures need to be controlled. Therefore, it is the policy of the City of San Jose that authorization to purchase and use cellular telephones will be limited to certain circumstances, when other means of communication such as pagers or mobile radios, are determined to be infeasible or impractical or are less cost effective.

**Cellular telephones are not considered an entitlement or fringe benefit.** Requests for the purchase and/or use of cellular telephones for official City business will be approved as outlined in the eligibility criteria defined in this policy. City issued cellular telephones are City equipment and are issued to employees for **official City business** only.

In some instances it may be deemed necessary or more cost effective to utilize a monthly Cellular Telephone Stipend in an amount determined by the City. The monthly stipend amount will be reviewed and/or adjusted annually to ensure cost effectiveness. All requests for cellular telephones or stipends must be made by submitting the *Request for Cellular Telephone Form* to the Director of the requesting party's Department for review and approval.

The requesting department will bear all costs associated with a monthly stipend or the purchase of cellular telephones and associated accessories, including future maintenance. Departments will be responsible for tracking and controlling cellular phone costs. The requesting department is responsible for documenting the issuance of a cellular telephone and associated accessories to each employee, and for ensuring that all cellular telephones and accessories are returned upon the employee exiting the department (or the City) and when such telephone services are terminated for any reason.

**Cellular Telephone Policy****Section 3.11**Cellular Telephone Eligibility Criteria

Requests for the purchase and/or use of a cellular telephone for official City business or approval for a monthly Cellular Telephone Stipend, will be reviewed by and approved at the discretion of the employee's Department Director. Requests will be reviewed according to the following criteria:

1. Cellular telephones necessary for promoting public or employee safety shall take highest priority.
2. Senior and Executive Staff members who must be available to receive and place time sensitive calls.
3. City personnel whose job responsibilities clearly dictate the unquestionable need for cellular communication.
4. Other forms of communication such as pagers or mobile radios are more costly, impractical, or do not satisfy operational needs.
5. The City Manager or designee may approve the purchase and/or use of a cellular telephone or stipend for official City business in instances where Criteria Nos. 1-3 do not apply.

Once it has been determined that an employee meets the eligibility criteria, the Department Director shall project the estimated usage, using the guidelines on the *Request for Cellular Telephone Form*, to determine if the phone should be assigned to a rate plan or if it is more cost effective to offer an employee the option of a Cellular Telephone Stipend. Department Directors shall consider usage as well as necessity when determining if an employee will be assigned a City cell phone or a stipend.

Once approved, the requesting Department's Cell Phone Liaison will coordinate the City cell phone purchase and service initiation with the City's cellular telephone service provider. If a Cellular Telephone Stipend is approved, the department's Cell Phone Liaison will forward the signed *Request for Cellular Telephone Form* to Payroll for processing. Employees are prohibited from requesting an addition to or inclusion in the City's cellular telephone service contract directly from the service provider.

If an employee terminates City service, transfers to another department or changes responsibilities and is no longer eligible to use a City-purchased cellular telephone, or receive a Cellular Telephone Stipend, the City cell phone and all associated accessories will be returned to the Department Cell Phone Liaison. Each Department is responsible for contacting the Payroll Department to terminate a Cellular Telephone Stipend once an employee leaves the Department,



**Cellular Telephone Policy****Section 3.11**

City service, or becomes otherwise ineligible. City-purchased cellular telephones are not available for purchase by an individual unless approved by the City Manager.

Department Directors are responsible for reviewing cellular telephone usage on an annual basis for the purpose of identifying cellular telephones that may no longer be needed or that may be under utilized and ensuring that service to such phones is terminated.

Use of Cellular Telephones**City issued cell phones are to be used for official City business only.**

Personal use of cellular phones is only permitted in cases of significant situations or actual emergencies. Calls made by employees to notify their family that they must work overtime or have been called back to work are considered business calls for purposes of this policy. Should employees make personal calls outside of the provisions above, reimbursement to the City will be required and the employee may be subject to disciplinary action.

All City employees must continuously strive to minimize costs. Cellular telephones are assigned to employees in order to ensure their safety, improve services to citizens, and to provide an efficient means of communication when no less costly method is readily available. Cellular telephone usage charges can have significant budgetary impact in the aggregate. Employees should utilize mobile radios or telephones in offices, whenever possible before choosing the cellular phone alternative. Discretion must be used regarding the content of cellular phone conversations, as cell phones are not secure communication devices.

Employees are responsible for maintaining adequate physical protection for all equipment issued to them by the City. Employees shall promptly notify the Department Director if any City-owned cellular phone is damaged or stolen.

Use of Employee's Privately-owned Cellular Telephone for City Business

Individuals, who are not eligible for City-purchased cellular telephones or a monthly stipend, are expected to use conventional telephones or other City-owned communication equipment. If an employee makes a business call from a privately owned cellular telephone, the employee may request reimbursement for the call from the department to which they are assigned. Employees should have pre-established authorization from their department allowing for the **occasional** use of their personal cellular telephone for business purposes, and subsequent reimbursement.

Hourly employees, who have been issued City cell phones or have been approved for a cell phone stipend, are required to carry the cellular telephone while on duty or approved stand-by pay.

**Cellular Telephone Policy****Section 3.11**Reimbursement to the City for Personal Use of Cellular Telephones

**Personal use of City issued cellular phones is only permitted in cases of significant situations or actual emergencies.** Employees are required to reimburse the City for any and all personal calls placed using a City issued cellular phone. Department Directors are responsible for ensuring that the use of City cellular telephones in their department is in accordance with the provisions of this policy, including reimbursement to the City for any and all personal calls. Should employees make personal calls outside of the provisions above, the employee may be subject to disciplinary action. City cell phone bills will be received by department Cell Phone Liaisons monthly, and distributed to employees for auditing purposes.

All staff authorized to use a cellular telephone for City business are required to review their monthly phone bill and reimburse the City for all charges associated with personal calls, including toll charges, long distance, airtime charges and roaming charges when applicable. The applicable reimbursement rate will be updated as necessary, and applies to all personal calls made regardless of the type of plan associated with the call.

City cell phone bills will be distributed to department Cell Phone Liaisons monthly. Liaisons will forward *Reimbursement Packets*, which include a copy of the monthly City cell phone bill for auditing purposes and the *Cellular Telephone Reimbursement Form* to City cell phone users in the department.

Users shall review the bills, highlight personal calls, and return the *Reimbursement Packet* to the liaison along with a check, payable to the City of San Jose, for the total cost of the personal calls. If the amount due is \$1.00 or less, the user is not required to provide reimbursement. Payment for personal calls is due within ten business days of the user's receipt of the bill. If no reimbursement is required, the user shall sign the "Statement of no Reimbursement Necessary" portion of the *Cellular Telephone Reimbursement Form*, and return the packet to the Cell Phone Liaison.

Liaisons shall then complete the *Cellular Telephone Reimbursement Form*, forward the form to (TBD), enter the employee reimbursement information on the department's *Employee Reimbursement Spreadsheet*, coordinate the payment of the bill to the monthly provider, and provide the Department Director copies of the completed *Reimbursement Packets* for his or her review.

**Employees are expected to limit cell phone usage to City related business only, therefore the instances in which reimbursement is required should be very limited.**

Cellular Telephone Stipends

Once it is determined that an employee's position necessitates a Cellular Telephone, the Department Director may, at his or her discretion, offer the employee the option of a Cellular



## Cellular Telephone Policy

## Section 3.11

Telephone Stipend, or a City issued cellular phone. If a stipend is offered, the employee may either elect to receive the stipend or use a City issued cellular phone within the provisions of this policy.

### PROCEDURES

#### I. Cellular Telephone Purchase

##### Responsibility

Requesting Department Director

##### Action

1. Assess the need to purchase a cellular phone, or to provide a monthly stipend.
2. Ensure resources are budgeted to accommodate the purchase of a Cell Phone or a monthly stipend.

##### Responsibility

Department Cell Phone Liaison

##### Action

3. Purchase Cell phone and associated usage plan, *or* forward *Request for Cellular Telephone Form* to Payroll if a monthly Stipend has been approved.

#### II. Reimbursement to the City for Personal Use of Cellular Telephones

##### Responsibility

Department Cell Phone Liaison

##### Action

1. Receive the monthly City cellular telephone bill and forward the *Reimbursement Packet* to the user.

##### Responsibility

Cellular Telephone User

##### Action

2. Audit the bill, highlight any personal calls and submit signed *Reimbursement Packet* along with a check payable to the City of San Jose for the total amount of personal calls to department telephone liaison.

**Cellular Telephone Policy**

**Section 3.11**

**Responsibility**

**Action**

Department Cell Phone Liaison

- 3. Review and complete the *Reimbursement Packet*.
- 4. Forward the *Reimbursement Packet* to (TBD), and enter the reimbursement information on the Department's *Reimbursement Spreadsheet*.
- 5. Coordinate payment to City cell phone provider and forward a copy of the *Reimbursement Packet* to the Department Director for his/her review.

Department Director

- 6. Review monthly bills to monitor usage to ensure proper use and cost effectiveness.

\_\_\_\_\_  
/s/  
Approved

\_\_\_\_\_  
Date

**CITY OF SAN JOSE  
CELLULAR PHONE AUTHORIZATION FORM**

( ) **New Request**      ( ) **Annual Reauthorization Review**      ( ) **Replacement**

**A. REQUESTOR'S INFORMATION**

<b>Employee Last Name:</b>	<b>Employee First Name:</b>	<b>Employee #:</b>
<b>Job Classification:</b>	<b>Desktop Phone Number:</b>	<b>Date of Request:</b>
<b>Department:</b>	<b>Division:</b>	<b>E-mail Address:</b>

**B. JUSTIFICATION**

Check all that apply, provide written justification for cell phone approval

- Field staff
- Public or employee safety
- Infeasibility of other alternative communication means
- Executive or other management staff members who are required by the nature of their jobs
- Replacement Order:  
Date of Loss (broken, lost, or stolen): \_\_\_\_\_  
Date Reported: \_\_\_\_\_  
User's Existing Cell Phone Number \_\_\_\_\_

FMS Visible Code for initial purchase (15 digits)

\_\_\_\_\_ - 4032  
(Fund) (Dept) (Resp. Center) (Detail)

**C. USER PROFILE & CHARGE CODE**

**Guidelines for selecting a Rate Plan or Stipend:**

- 0 - 80 minutes/month (\$9.99 plan)
- 81 - 120 minutes/month (\$9.99 plan)
- 121 - 250 minutes/month (\$29.99 plan)
- 251 - 400 minutes/month (\$39.99 plan)
- 401 - 600 minutes/month (\$49.99 plan)
- 601 - 750 minutes/month (\$59.99 plan)
- 751 - 1000 minutes/month (\$74.99 plan)
- 1001-1400 minutes/month (\$99.99 plan)
- 1401-2200 minutes/month (\$149.99 plan)
- STIPEND APPROVED (Provide justification)

**Explanation:** \_\_\_\_\_  
\_\_\_\_\_

**D. ESTIMATED ANNUAL COST**

**Initial Set-up Cost:** Cost of Phone \$ \_\_\_\_\_ + Activation Fee \$ \_\_\_\_\_ = \$ \_\_\_\_\_

**\$9.99 Plan Estimated Annual Cost:**  
Estimated Minutes of use per month: \_\_\_\_\_ x Rate per minute \$ \_\_\_\_\_ = \$ \_\_\_\_\_ + \$9.99 x 12 months = \$ \_\_\_\_\_

**All Other Rate Plans Estimated Annual Cost:** Monthly Rate \$ \_\_\_\_\_ x 12 months = \$ \_\_\_\_\_

**Stipend Annual Cost:** Stipend Amount \$ 35 x 12 Months = \$ 420

**E. AUTHORIZATION**

**Authorized Signature by Supervisor or Division Manager**

Print/Type Name \_\_\_\_\_ Signature \_\_\_\_\_ Date \_\_\_\_\_

**Authorized Signature by Department Head or Deputy**

Print/Type Name \_\_\_\_\_ Signature \_\_\_\_\_ Date \_\_\_\_\_

**Employee Signature:**

*I have received, read and understand the City's Cellular Telephone Policy:* \_\_\_\_\_

Print/Type Name \_\_\_\_\_ Signature \_\_\_\_\_ Date \_\_\_\_\_

**F. PHONE PLAN SELECTION**

- Stipend
- AT&T Plan
- Nextel Plan

**Cell Phone Coordinator Initials ( )** \_\_\_\_\_

**Activation Date:** \_\_\_\_\_

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## CITY OF SAN JOSE CELLULAR PHONE REIMBURSEMENT FORM

### A. EMPLOYEE'S INFORMATION

<b>Employee Last Name:</b>	<b>Employee First Name:</b>	<b>Employee #:</b>
<b>Job Classification:</b>	<b>Desktop Phone Number:</b>	<b>Department:</b>
<b>Date of Reimbursement:</b>	<b>Reimbursement Amount:</b>	<b>E-mail Address:</b>

### B. PROOF OF REIMBURSEMENT PAYMENT

<p><b>Employee Signature, Reimbursement Paid</b></p> <hr/> <p style="text-align: center;">Print/Type Name                      Signature                      Date</p> <p><b>Authorized Signature by Department Director or Designee, Reimbursement Received</b></p> <hr/> <p style="text-align: center;">Print/Type Name                      Signature                      Date</p>	<p><b>Amount Received:</b> _____</p> <p><b>Date Reimbursement Received:</b> _____</p>
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### C. JUSTIFICATION FOR PERSONAL CALL(S)

(May be multiple choices.)

1.  Emergency Personal Call
2.  Infeasibility of other alternative communication means
3.  Other:

**Explanation:**

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### D. STATEMENT OF NO REIMBURSEMENT NECESSARY

I have received and reviewed the monthly cell phone bill corresponding to the City cell phone assigned to me, and I did not make or receive any calls not related to official City business. Per the City's Cell Phone Policy, no reimbursement to the City is required for the period of this billing cycle.

**Employee Signature**

---

Print/Type Name                      Signature                      Date

## APPENDIX A

### DEFINITIONS OF PRIORITY 1, 2, AND 3 AUDIT RECOMMENDATIONS

The City of San Jose's City Administration Manual (CAM) defines the classification scheme applicable to audit recommendations and the appropriate corrective actions as follows:

<b>Priority Class<sup>1</sup></b>	<b>Description</b>	<b>Implementation Category</b>	<b>Implementation Action<sup>3</sup></b>
1	Fraud or serious violations are being committed, significant fiscal or equivalent non-fiscal losses are occurring. <sup>2</sup>	Priority	Immediate
2	A potential for incurring significant fiscal or equivalent fiscal or equivalent non-fiscal losses exists. <sup>2</sup>	Priority	Within 60 days
3	Operation or administrative process will be improved.	General	60 days to one year

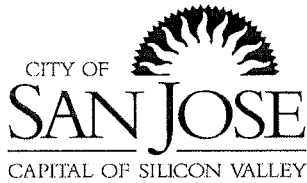
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<sup>1</sup> The City Auditor is responsible for assigning audit recommendation priority class numbers. A recommendation which clearly fits the description for more than one priority class shall be assigned the higher number. (CAM 196.4)

<sup>2</sup> For an audit recommendation to be considered related to a significant fiscal loss, it will usually be necessary for an actual loss of \$25,000 or more to be involved or for a potential loss (including unrealized revenue increases) of \$50,000 to be involved. Equivalent non-fiscal losses would include, but not be limited to, omission or commission of acts by or on behalf of the City which would be likely to expose the City to adverse criticism in the eyes of its citizens. (CAM 196.4)

<sup>3</sup> The implementation time frame indicated for each priority class is intended as a guideline for establishing implementation target dates. While prioritizing recommendations is the responsibility of the City Auditor, determining implementation dates is the responsibility of the City Administration. (CAM 196.4)

APPENDIX B



Memorandum

**TO:** Gerald Silva  
City Auditor

**FROM:** James R. Helmer, Acting  
Chief Information Officer

**SUBJECT:** Accomplishments to Date  
Re: Cellular Phone Program

**DATE:** November 6, 2004

Approved

*Ray Winer*

Date

*11/10/04*

This memorandum responds to your request to identify major accomplishments involving the City's cell phone usage policy and practices.

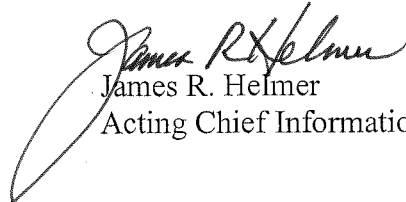
A major accomplishment is the development of an updated cellular phone policy, which had not been revised since 1989. An update was certainly warranted, given significant changes in technology and the widespread use of this technology as a tool to facilitate the delivery of services and to communicate with residents and businesses. A revised policy has been completed and was distributed to departments and to the City Labor Alliance on Friday, November 5, with a request that all comments be received by November 12. In conjunction with the revised policy, new authorization and monthly review forms have also been developed. It is my hope that we will bring forward a final revised cellular phone policy to the Making Government Work Better Committee on November 18. If it is not finalized in time, it will be completed for the Committee's review at its December meeting.

While the policy was undergoing revision, the City Manager reminded departments to undertake a review of their current criteria for approving phones and to ensure that employees reviewed their phone bills monthly and reimbursed the City for personal calls, following the procedures described in the current cellular phone policy. A follow up meeting was held in October where each department provided information on the actions that have been taken to assure compliance with current procedures and reporting requirements.

A complete review of the City's current cellular plans is underway for potential cost savings. The pooled minutes plan that your office recommended for consideration in June is being carefully evaluated as well. However, a final recommendation will not be forthcoming until the revised policy has been approved and implemented. The revised policy recommends that one of the options be a nominal stipend to employees. Should this option be approved, it will be necessary to determine how many employees will receive City cell phones and a typical profile of phone usage is developed in order to have meaningful discussions with vendors. The Administration did confirm that the existing contracts could be terminated without penalty. If the option for a stipend is approved, we would expect to complete the analysis within a six-month period of time.

Gerald Silva  
Accomplishments re: Cell Phone Program  
November 6, 2004  
Page 2

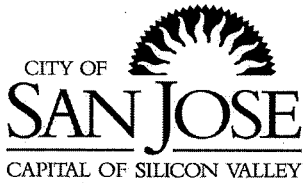
The accomplishments to date have been an inter-departmental effort. The cellular phone program applies citywide and funding is appropriated to each City department. However, ITD will continue to retain the oversight role of the Cellular Phone Program.

  
James R. Helmer  
Acting Chief Information Officer





APPENDIX C



*Memorandum*

**TO:** Larry Lisenbee,  
Budget Director

**FROM:** Gerald A. Silva,  
City Auditor

**SUBJECT:** *UPDATED CELLULAR PHONE  
OPTIONS*

**DATE:** June 29, 2004

**Recommendation**

We recommend that the Administration consider the information in this memorandum regarding cellular phone vendors.

**Background**

On April 15, 2004, the Auditor's Office sent you a memorandum which stated that the City could save a significant amount of money each year by switching to a Pooled Minutes Plan for cell phones. The City currently pays for about 1600 active cell phones on individual plans from AT&T and Nextel. AT&T and Nextel cell phone usage from March 2003 to February 2004 cost about \$730,000 and \$200,000, respectively, or \$930,000. The 2004-05 Proposed Operating Budget includes \$254,372 for AT&T cell phone rate plan adjustments and discounts. We believe the City can save an additional \$250,000 per year by pooling cell phone minutes with one vendor.

Unlike individual cell phone rate plans, a pooled minutes plan combines cell phone capacity into a large bucket for Citywide use. For example, a pooled plan for 10 cell phones with 250 monthly minutes each would allow all individual users to draw from a pool of 2,500 monthly minutes. A pooled minutes plan reduces the risk of paying for overage charges by spreading unused minutes from low users to high users.

**Analysis Of Options Available Through Various Carriers**

The City's combined AT&T and Nextel annual cell phone usage is about 5,200,000 minutes per year. We contacted several different cellular phone service providers and asked them to give us their best proposal for accommodating our existing cellular phone usage. Due to changes in rates, we updated our April 15, 2004 memorandum. Our latest survey results are summarized in the chart below.

### Summary Of Cell Phone Service Providers' Proposals To Accommodate The City's Annual Usage

Cell Phone Service Provider Proposal	Number Of Phones	Number Of Annual Minutes	Annual Cost	Projected Annual Savings	Phones	Features	Carrier Benefits
Cingular (Pooled Minutes Plan)	1600	5,100,000 minutes	\$360,000	<b>\$570,000</b>	Taxes only	Includes LD, roaming in CA/NV/WA/ID, no nights and weekends, no mobile to mobile	GSA: non contract - no early termination fees; no activation charges; complete training for liaisons; CD-ROM or on-line available; quarterly reviews; reduced rate for replacement phones
Nextel (Pooled Minutes Plan)	1600	5,100,000 minutes	\$460,000	<b>\$470,000</b>	Taxes only	Includes LD and national roaming; 4,800,000 radio minutes, unlimited nights and weekends	WSCA: non contract - no early termination fees; no activation charges; no shipping or handling charges; complete training for liaisons; quarterly reviews; reduced rate for replacement phones; CD-ROM available
AT&T (Pooled Minutes Plan)	1600	6,720,000 minutes	\$650,000	<b>\$280,000</b>	Taxes only	Includes LD from home area, 250 mobile to mobile, and 125 nights and weekend per phone	WSCA: non contract - no early termination fees; no activation charges; complete training for liaisons; CD-ROM available; quarterly reviews; no shipping or handling charges; reduced rates on replacement phones
Verizon (Pooled Minutes Plan)	1600	7,680,000 minutes	\$700,000	<b>\$230,000</b>	Taxes only	Includes LD and unlimited nights and weekends, roaming in northern and central CA	GSA: non contract - no early termination fees; On-line account information available; retail pricing for phone replacements
AT&T And Nextel (Rate Plans)	1385 AT&T, 215 Nextel	5,200,000 combined minutes	\$930,000		Existing phones	Varies by plan	WSCA: non contract - no early termination fees; no activation charges; complete training for liaisons; CD-ROM available; quarterly reviews; no shipping or handling charges; reduced rates on replacement phones

Source: Data provided by vendors<sup>1</sup>.

As shown above, we identified four cellular phone service provider proposals that we project would annually save the City from \$230,000 to \$570,000 per year. We project that the Cingular Wireless Pooled Minutes Plan proposal would save the City the most at \$570,000 a year. However, Cingular is not part of the Western States Contracting Alliance WSCA Agreement and we identified some Cingular cell phone service issues which we discuss below.

#### City Authority To Change Plans And Vendors

On May 27, 2003, the City Council adopted a resolution authorizing the Director of General Services to execute an agreement under the WSCA Agreement for the purchase of wireless service and equipment from AT&T Wireless, Verizon, Nextel, and/or Sprint in a cumulative amount not to exceed \$1,100,000 for 2003-04.

The resolution allows the City to change vendors within the WSCA agreement with the authority granted under the May 27, 2003 City Council resolution. The Administration can make changes among the WSCA vendors by simply making a phone call. Based on the updated proposals Nextel is the most economical WSCA vendor, with a projected annual savings of \$470,000.

<sup>1</sup> The rates quoted do not include taxes and fees and startup costs of about \$15,000 to \$35,000 for taxes on the initial rollout of new cellular phones. Vendor plan changes may affect future plan costs.

### Assessment

We conducted tests of Cingular, Nextel, AT&T, and Verizon cellular phones to assess the service coverage in select areas of the City. In our opinion, Verizon, Nextel, and AT&T provided adequate service coverage within the City limits, while Cingular service had the most problems in several City areas.

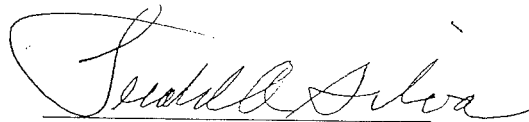
More specifically, Verizon and AT&T provided stronger coverage with fewer lost signals than other vendors in the Evergreen area, but Nextel is the only vendor that provides service coverage for the entire Almaden Valley area. There are some unknowns with Cingular and AT&T regarding service coverage. According to the vendors, Cingular has acquired AT&T and is in the process of finalizing the merger. Cingular currently allows AT&T to use the Cingular network, yet Cingular does not use the AT&T network. Our assessment of AT&T included the use of both networks. It is not clear what impact the merger will have on each vendor and their service coverage.

We interviewed selected City departments to identify their concerns regarding cellular phone coverage, reliability, and vendor support. We used this information when working with the vendors and testing cellular phones. For example, the Police Department stated that flip Nextel phones were not durable so we tested two newer-generation Nextel phones – one flip and one non-flip - for durability.

We recommend that the Administration consider the information in this memorandum regarding cellular phone vendors.

### The Cellular Phone Program Audit

We are reviewing the City's Cellular Phone Program as part of the ITD Audit in the City Auditor's Approved 2003-04 Workplan. In addition to this memorandum, we will continue to work on improving the City's Cellular Phone Program by addressing potential abusive cell phone usage and employee reimbursement issues. Please let us know if you have any questions or need any further assistance.



Gerald A. Silva  
City Auditor