



CITY OF PHILADELPHIA

OFFICE OF THE CONTROLLER
1230 Municipal Services Building
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102-1679
(215) 686-6680 FAX (215) 686-3832

ALAN BUTKOVITZ
City Controller

ALBERT F. SCAPEROTTO
Deputy City Controller

September 13, 2007

Joan Schlotterbeck, Commissioner
Department of Public Property
City Hall, Room 790
Philadelphia, PA 19107

Dear Commissioner Schlotterbeck:

We performed an audit of the City of Philadelphia's cell phone policies and usage with the assistance of Nihill & Riedley, P.C. The objective of the audit was to gather information about the use of City cellular devices with respect to their authorization for issuance; overall cost; numbers and usage; oversight; and compliances with City policies and procedures. A synopsis of the results of the audit is provided in the executive summary of the report.

The findings and recommendations contained in the report were discussed with you and your staff at an exit conference, and your written response has been included in the report. We believe that, if implemented by management, the recommendations set forth in the report will improve the City's policies, procedures, and controls over cellular devices.

We would like to express our thanks to the management and staffs of the Departments of Public Property, Streets, Fire, Licenses and Inspections, and Human Services for the courtesy and cooperation shown during the conduct of this audit.

Very truly yours,

ALAN BUTKOVITZ
City Controller

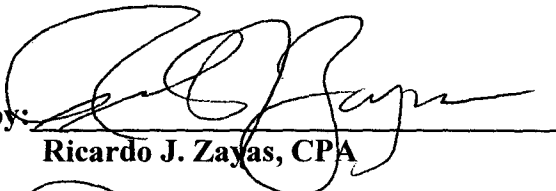
cc: Honorable John F. Street, Mayor
Honorable Anna C. Verna, President
and Honorable Members of City Council
Members of the Mayor's Cabinet
Clarena Tolson, Streets Commissioner
Lloyd Ayers, Fire Commissioner
Robert D. Solvibile, Sr., Licenses and Inspection Commissioner
Arthur C. Evans, Ph.D., Human Services Commissioner

Report of Findings

Re: Procedures Performed In Connection with the City Controller's Audit of Cell Phone Policies and Usage

**Prepared for the Office of the City Controller
for the City of Philadelphia**

Prepared by:


Ricardo J. Zayas, CPA


Robert J. Heydt, CPA

**Nihill & Riedley, P.C.
The Public Ledger Building, Suite 800
150 Independence Mall West
Philadelphia, PA 19106
September 12, 2007**

TABLE OF CONTENTS

Page

I.	SCOPE	1
II.	PROCEDURES PERFORMED	2
	Phase I	2
	Phase II	2
III.	EXECUTIVE SUMMARY	4
	Background	4
	Findings	5
	Recommendations	7
IV.	DETAILED DISCUSSION AND ANALYSIS	8
	A. City Policy	8
	B. The Current City Contract with Cingular Wireless	9
	C. DPP Role in Process	10
	D. Departmental Billing	11
	E. Budget Authority and Payment Processing	12
	F. Departmental Usage	13
	G. Actual Charges for Service	13
	H. Enforcement of City Policy and Departmental Procedures	15
	I. Testing of Records by Controller's Office	17
	J. Other Cellular Plans	18
V.	AUDIT RESPONSE	
	By Joan Schlotterbeck, the Commissioner of the Department of Public Property	20

EXHIBITS (Not included)



I. SCOPE

We were engaged by the City of Philadelphia Controller's Office to provide assistance with planning and conducting of a performance audit of the City of Philadelphia (City) cell phone policies and usage.

The objective of the engagement was to gather information about the use of cellular devices by City departments / program areas with respect to the following:

- Policies and procedures regarding authorization for issuance;
- Overall cost of providing cellular devices;
- Number of devices and usage;
- Oversight by appropriate parties; and
- Compliance with existing policies and procedures.

We begin with a basic premise that the use of cellular communications is necessary for the City's operations. The extent to which these communications devices are necessary varies by department and / or program area. For purposes of our engagement, we did not question the appropriateness of individual departments' decisions to obtain cellular devices for its personnel. Instead we focused on the process whereby phones are authorized, the volume of usage and how usage is monitored by selected departments.

The City has policies and procedures to deter waste, fraud and abuse. Reason and practicality warrant that priority be given to assets or programs based upon their relative exposure to misuse, or loss of City funds. This does not mean that expenses / expenditures that seem immaterial or insignificant by their relative size should be ignored. Rather, an appropriate amount of caution and effort should be applied in each case to avoid opportunities for waste, fraud and / or abuse to occur.

Our work was performed in two phases. The initial phase was designed to gather information regarding existing policies relating to the use of City issued cellular devices and the assignment / distribution of these devices to various City Departments. The information obtained during this initial phase provided a foundation from which the need for additional audit procedures could be assessed.

Having performed the initial phase, it was determined that limited testing should be conducted at selected City departments. This testing consisted of inquiries and analyses of selected departments to assess their implementation of procedures to comply with existing City policies regarding the use of City issued cellular devices.



II. PROCEDURES PERFORMED

We have performed the following procedures in connection with this engagement:

Phase I

- We met with the Commissioner of the Department of Public Property (“DPP”) and other DPP personnel to obtain information about the:
 - Number and type of devices in use;
 - Distribution of devices to City departments;
 - Procedures relating to issuance of cellular devices to City departments and for processing departmental billing for cellular service; and
 - An understanding of the City’s contract with Cingular Wireless for cellular services.
- We analyzed information provided by DPP concerning the number of devices, number of calls and minutes used by City departments participating in the contract overseen by DPP for one month.
- Working jointly with the Controllers Office, we requested information from all users identified in the DPP records about their implementation of City policies (i.e., departmental procedures) relating to the assignment or approval necessary to obtain a cellular device, usage, oversight and reimbursement for non-business usage.
- We reported results of initial procedures to representatives of the Controllers Office and proposed follow-up procedures.

Phase II

Using information developed in Phase I, we extended our inquiries and analyses, as follows:

- We obtained and analyzed a list of users from DPP, a departmental cost summary and detailed billing information provided by Cingular for usage during the month of September 2006. We analyzed the billing information to determine:
 - The average number of calls and minutes used / user;
 - Devices / numbers with no usage;
 - Types of charges and relationship to usage;
 - Users / departments exceeding 250 minutes (per device) per month.

- We coordinated with Controller personnel to select a sample of City departments serviced through the contract administered by DPP for additional testing. Four departments were selected for additional inquiries and testing.
- We performed tests of departmental compliance with the City policy including, but not limited to:
 - Interviews of Departmental personnel;
 - Comparison of the list of users identified from the monthly bill to a current departmental roster;
 - Confirmation on a sample basis, that users identified on the departmental list are in possession of a cellular phone / number issued by DPP;
 - Identify department procedures and / or documentation for reimbursement of unauthorized usage, if any.
- We met representatives of DPP at the end of our second phase of work to obtain clarification about certain aspects of the Cingular contract and to follow-up on certain findings from the detailed testing performed by the Controller's Office.

[SPACE INTENTIONALLY LEFT BLANK]

III. EXECUTIVE SUMMARY

Our inquiries and analyses determined that:

- Controls over the assignment and use of cellular communication devices were generally inadequate.
- Procedures for the analysis of recurring charges for monthly cellular service were similarly inadequate to comply with City policy and, at times, nonexistent.
- The absence of adequate controls and control procedures results in excess cellular charges to the Departments selected for this limited study.
- The City policy for issuance and use of cellular phones is outdated and should be revised and reissued.

While our findings are necessarily limited to those Departments subjected to “phase II” analyses and inquiries, similar deficiencies may exist in other City Departments.

Background

The following provides a brief summary of the current City policy regarding the use of cellular phones, the City contract for cellular service and DPP’s administration of the contract. This background is essential to understand the context of our findings, as well as the Overall Assessment presented above.

- The City policy regarding the use of City issued cellular phones is contained in a memorandum issued by the City’s Managing Director in 1997 (**Exhibit 1**). This policy prohibits personal use of City issued cellular devices and requires reimbursement for any non-business usage.
- The City contracts with Cingular to provide approximately 2,000 phones and blackberries at an annualized cost of approximately \$890,000 for equipment and service¹. **Exhibit 2** is DPP’s summary of the charges for usage during September 2006 listed by department or user group. These charges are passed along to the user departments each month.
- In general, the current City contract with Cingular provides 250 minutes per phone for a recurring charge of \$26.99 per month. These minutes are “pooled” so that excess or unused minutes on one phone are available to cover shortfalls on other phones. To the extent that there are phones in the plan with little or no usage, this “pooled” arrangement creates a subsidy for higher volume users.

¹ These estimates are based on 1,924 phones in service during September 2006, which resulted in costs for that month totaling \$74,155.06 (\$69,171 for service and \$4,984 for equipment).



- The Cingular contract provides for a “dormant rate” of \$5.00 per month to keep a limited number of phones / phone numbers activated. “Dormant” phones do not contribute to the pool of minutes available for use by other departments or users.
- DPP has established a system of telephone coordinators for the purpose of centralizing communication regarding equipment and billing issues. Responsibility for oversight and compliance with City policy has been decentralized through this system. On a monthly basis, DPP disseminates billing information to each department through the telephone coordinators and relies on the departments or user groups to monitor and control usage.

Findings

Specific findings supporting the conclusions expressed above are set forth below.

- 1) Our inquiries and analyses determined that Department of Public Property (DPP) records relating to assignment of cellular devices did not agree with Department records relating to the assignment of those devices. As noted below, these variances were not limited to the assignment of devices to individual employees. Departments were, at times, unable to locate devices for which they were being charged according to DPP records. Specific findings included:

- Based on testing of a sample of 89 phones, 17 phones (19%) could not be located during testing and seven of these phones had usage during September.
- A Streets Department “Snow Phone” that could not be located had usage totaling 4,039 minutes during September, including calls to an “877” number used by Philadelphia Park to accept wagers.
- Records reflecting the assignment of phones were inaccurate for 47% of the numbers in the sample.

Records reflecting the assignment of phones should be verified via an inventory or similar procedure and updated periodically.

- 2) Individual departments viewed the recurring monthly charge as a fixed cost requiring no monitoring. This view permits charges to be incurred unnecessarily. For example –

- The Streets Department had 268 devices with no usage during September 2006 for total charges of \$7,731.83. None of these phones were at the dormant rate.
- By contrast, phones assigned as dormant may actually be incurring usage charges that exceed the normal monthly charge for recurring service (i.e., \$26.99). An example is provided at **Exhibit 3**.



- The “Snow Phone” described above had an average of 4,133 minutes of monthly usage in the period from July – September 2006.
- 3) DPP administers the contract with Cingular and monitors total usage, but views any charges incurred and / or enforcement of policy as the responsibility of the user departments. In this decentralized environment, the primary cost control is departmental budgets. However, there is also a general lack of understanding among user departments about the contract and charges for usage. For example, an add-on to the contract with Cingular provides for a “dormant” rate (i.e., a reduced rate merely to keep a number active during periods of limited usage).
 - 4) Our inquiries and analyses identified potential opportunities for savings. There were numerous phones with little or no usage during the month of September 2006. The “dormant” rate is infrequently used for phones held in reserve by departments for specific purposes such as emergency response, seasonal use or special events. For example, during the month of September 2006, 625 of 1,921 phones had no usage. Total charges for these phones, which do not include Blackberries or dormant phones at the \$5.00 per month rate, are \$17,614.29. We also note that according to billing records there are some individuals that have been assigned more than one phone. It appears that these individuals typically had a phone and blackberry device. We did not attempt to evaluate the need for more than one device.
 - 5) While the primary responsibility for monitoring usage should rest with the user departments, DPP is in sole possession of knowledge and detailed information regarding the Cingular contract. DPP is in a unique position to initiate possible cost savings by analyzing monthly charges and applying contract provisions (i.e., dormant charges).
 - DPP could easily identify unused devices (a total of 625 phones had no usage in September 2006) and coordinate the application of contract provisions that would result in savings for individual departments.
 - Only DPP is in a position to balance the needs of user groups that benefit from the subsidy created by these phones that have little or no usage. The cost of service for certain departments is disproportionate to their actual usage.
 - 6) Departmental procedures for reviewing the monthly bill received from DPP vary widely among user departments. Some of the departments appear to be under the impression that DPP has set policy and / or taken responsibility for enforcement. Guidelines for monitoring usage, costs and reimbursement should be established centrally and disseminated to user departments to promote control over devices and monitoring of usage / charges by individual departments.



Recommendations

Recommendations for improvements to or implementation of specific control procedures to address any potential weakness cannot be made in a vacuum. They must be attainable, practical and appropriate for the specific environment and circumstances for which they are intended / designed.

- 1) Given the age of the policy and changes in technology, cost and contract terms in the intervening period, this policy should be updated / reissued to all user groups. DPP should strongly recommend to the Managing Director that the current policy be revised and updated.
- 2) Records reflecting the assignment and location of phones should be verified via a periodic inventory or similar procedure at the individual Departments. These inventories should be reconciled to DPP records and appropriate measures taken to eliminate unnecessary devices.
- 3) While the individual departments must retain responsibility for monitoring usage within their respective departments, DPP should be more proactive. Given DPP's sole possession of knowledge and detailed information regarding the Cingular contract, is in a unique position to initiate possible cost savings by analyzing monthly charges, applying contract provisions and / or negotiating changes in the contract (e.g., additional dormant phones). For example, DPP can identify high volume users as well as unused devices and is in a position to coordinate the application of contract provisions that would result in sharing of costs in closer proportion to actual usage.
- 4) Guidelines for monitoring usage, costs and reimbursement should be established centrally and disseminated to user departments to promote control over devices and monitoring of usage / charges by individual departments. The monthly summary information provided by DPP, as well as more detailed information concerning usage is available electronically and could be made available to the departments in a form that would permit analysis by each department.

As discussed in this report, provisions of the Cingular contract cause Departments with lower usage to subsidize Departments with higher usage. The cost of service for certain departments is, at times, disproportionate to their actual usage. Potential savings available to one department could adversely impact this subsidy and result in increased charges to another Department. We have not attempted to evaluate the impact of implementing savings at Department levels on the overall contract costs. Only DPP is in a position to balance the needs of user groups that benefit from the subsidy created by these phones that have little or no usage.



IV. DETAILED DISCUSSION AND ANALYSIS

A. City Policy

The City's policy for the use of City issued cellular phones is memorialized in an April 7, 1997 memorandum captioned "Cellular Phone Policy" issued by then Managing Director, Joseph Certaine (Exhibit 1)². The policy assigns responsibility to the head of each governmental unit for determining the need for cellular devices, assignment of the devices / phones and implementation of the City policies regarding use of cellular devices. The policy memorandum states that "the City does not condone the use of cell phones for any personal calls and for any long distance calls made for a business purpose that could otherwise be made on a regular City phone." Any unauthorized use is to be reimbursed to the City by transmitting a check to the Office of the Director of Finance.

The policy has not been updated since 1997. The Office of the Managing Director confirmed this memorandum as the current policy through a letter dated August 9, 2006, sent in response to our request for information about departmental policies and procedures. DPP advised that a presentation was made to all City department heads and the written policy (Exhibit 1) was disseminated at that time. The policy calls for the presentation of a bill to the user of the phone who is responsible for paying for unauthorized usage, which is effectively an honor system whereby the user identifies calls and reimburses the City for any related cost.

The policy contains a simple statement that cellular phones are not to be used for personal calls, and as such, there seems to be no need for revision to the spirit of the policy. However, other aspects of the policy (e.g., the reference to long distance calls) are outdated and the policy does not align with the current contract. For example, the direction regarding reimbursement is difficult to apply in practice because while calls may be identified as "personal," generally speaking, under the current contract / billing arrangement there are no charges associated with calls or minutes actually used. Without guidance in the policy statement, it is unclear what rate should be used for reimbursement. One department included in our testing contends that no adjustment for personal use is warranted given the flat monthly or recurring charge of \$26.99 for service.

Recommendation / Observation:

Given the age of the policy and changes in technology, cost and contract terms in the intervening period, we recommend that DPP request the Managing Director to update the content of the policy statement and disseminate the revised policy to all user groups.

² This policy is also described in an April 26, 2000 memorandum provided by representatives of the Department of Licenses & Inspections, which makes further reference to a directive by Mayor John F. Street that "cellular phones may no longer be used for personal use."



B. The Current City Contract with Cingular Wireless

Representatives of DPP explained that the number of phones in use is somewhat cyclical in that while numbers are reduced from time to time, they tend to increase again over time as new users are added. Historically, plans were no cost except for air-time used and users were not motivated to turn in unused devices.

In 2004, DPP negotiated a contract with Cingular on behalf of the City for cellular service. In exchange for a fixed monthly charge per user (i.e., \$26.99 for standard cellular phone service), the contract provides 250 “free” minutes per cellular phone (i.e., no additional airtime charges are assessed for these minutes). Collectively, any unused minutes are pooled and available to other users so that under this arrangement, users that do not utilize their available minutes subsidize service for users that exceed 250 minutes in any given month.

There is a May 1, 2006 amendment or add-on to the current contract that allows the City to maintain approximately 50 - 100 phones for emergency purposes³ for a \$100 monthly access charge (covers all phones) and a \$5.00 monthly charge per phone instead of \$26.99 per month. This option provides a limited number of free minutes (1,700) for all phones at this rate. Phones under this “dormant” rate plan do not contribute to the pool of available minutes shared by other users. Any minutes used in excess of the 1,700 allotted to “dormant” phones are charged at the rate of \$.40 per minute for airtime.⁴

DPP also provides wireless e-mail devices or “Blackberries” to departments requesting these types of devices and services. The Cingular contract provides for Blackberry service at a rate of \$39.99 per device, which must be added to cellular phone service (i.e., at \$26.99), for a total cost of \$66.98 per device per month. We understand that the data service is unlimited and the phone minutes available to the Blackberry users are also pooled with other phone minutes.

The current contract also includes an add-on rate that provides push to talk or two way services between users that have the feature on their phones. The two-way service involves a \$9.99 additional monthly charge (i.e., in addition to \$26.99 recurring charge). Additional charges may also be incurred for premium equipment and / or services (e.g., phone upgrades or overseas service).

According to summary billing information provided by DPP for service during the month of September 2006, the City had 1,600 phones and 324 wireless e-mail devices or Blackberries issued under this contract. Charges for the month totaled \$74,155.06 for equipment and service (Exhibit 2). On this basis, the annualized cost of the Cingular contract is nearly \$890,000.

³ The Fire Department was cited as an example where phones are maintained for use in the event of a primary communication systems failure.

⁴ The billing information from Cingular actually reflects airtime charges for dormant phones that are less than \$.40 per minute.

As with any contract, service or asset acquired, the City's ability to save money is related to its ability to negotiate a favorable contract, as well as controlling unnecessary costs or usage. There is anecdotal evidence to suggest that the current contract with Cingular is a favorable plan and DPP advised us that the combined usage by all City departments does not exceed the "free" minutes available under the plan.⁵ We have not performed any cost benefit analysis, nor have we reviewed any information related to the contracting process other than the documents comprising the current contract with Cingular.

Recommendation / Observation:

To the extent that there are phones in the plan with little or no usage, this "pooled" arrangement creates a subsidy for higher volume users.

C. DPP Role in Process

As noted above, DPP negotiated the contract with Cingular and serves as the primary contact point for billing and / or contract administration. All contacts with Cingular are made by / through a coordinator in DPP. DPP administers the contract through a network of telephone coordinators (i.e., contact points or persons) that have been designated by each department.

DPP requires that departmental requests for issuance of new devices, changes in service or communications concerning cellular phone service be effected through the telephone coordinators. Billing and other information is disseminated by DPP to user departments through the same network of phone coordinators.

DPP requires that each user department provide a funding code that can be charged for monthly service and equipment charges incurred by the respective department. Each month, DPP breaks down the billing received from Cingular and furnishes departmental invoices for cellular service that are charged against the respective departments' budget. Any questions about charges are resolved through communication with the department's telephone coordinator.

DPP personnel described their procedure and emphasized that they are not involved in processing any reimbursements for personal use from non-DPP personnel. DPP personnel advised they were not familiar with procedures used by individual departments to monitor compliance with the City policy regarding personal use of cell phones.

Recommendation / Observation:

DPP has established a system of telephone coordinators for the purpose of centralizing communication regarding equipment and billing issues that could be used to

⁵ The Fire Department does not agree that the \$26.99 rate for recurring service is favorable to them. Under the previous contract where the City was billed for minutes used, the Fire Department was able to maintain phones that were used minimally / dormant for little or no cost.

communicate policy and guidelines for monitoring usage and costs. While centralizing communication, control over monitoring usage has been decentralized. We recommend that DPP take a more proactive role in monitoring the charges incurred by user departments and / or enforcement of policy while continuing to review total usage under the contract.

D. Departmental Billing

Each month, DPP receives a summary invoice for air-time (**Exhibit 4**), an invoice for equipment and a CD with detail for air-time charges from Cingular. A DPP supervisor reviews the hard-copy invoices before the airtime detail is downloaded to a database from the Cingular CD. The cell number is the common thread between the Cingular bill and the user data. The cell number and related charges form the basis for the preparation of a departmental billing. After a supervisor reviews the equipment invoice, the equipment charges are summarized by department on a separate schedule and input to their database.

DPP prepares a “monthly sheet” (**Exhibit 2**) summarizing all of the charges by respective departments for each month, which is reviewed to monitor overall usage under the contract. This “monthly sheet is output from the database and reconciled to the Cingular bill. DPP represented that a Call Exception Report (**Exhibit 5**) is prepared and is used to identify discrepancies between the vendor bill and the contract / accounting database. For example, any deviation from the per user charge of \$26.99 for service or excess equipment charges appear on the report, and are reviewed / cleared by the phone coordinator and a supervisor in DPP before the bills are prepared by investigating with the carrier and / or the departmental coordinator. Based on our analysis of the charges for September, it is not evident that this process is effective for identifying exceptional or unusual charges that should be followed up with user departments (see analysis of Actual Charges for Service).

DPP uses its database system to produce billings for each department. The monthly billings are sent to each department via e-mail by DPP’s phone coordinator accompanied by a reminder that the phones are “FOR BUSINESS USE ONLY” (**Exhibit 6**). The bills reflect the cost of equipment and service provided to the users within the respective department; along with call detail for each user (see sample pages at **Exhibit 7**). The monthly billing also includes a statistical summary by user, a list of the top ten users in the department and a list of unused phones (**Exhibit 8**).

The billing information is transmitted electronically in a format (soft copy) that requires the recipient department to either print or view billing detail on the screen in order to perform any review or analysis of charges. In other words, the departments receive the equivalent of a paper bill, which requires a page by page review or manual analysis. The information furnished to DPP by Cingular is available in a database format, which can be manipulated or analyzed using database software such as Microsoft Access. The usage / billing information could be furnished to the user departments in the same format to facilitate review and analysis.

Another limitation of the current departmental billing is the manner in which certain charges from Cingular are summarized. Usage and other charges are summarized and represented in total as "data charges," along with recurring charges of \$26.99 per month on the bills received by the department. This characterization is appropriate for the data service provided in connection with Blackberries; however, our analysis indicates that other Cingular charges are also characterized as data services. This summarization / aggregation of charges obscure the nature of the actual charges by Cingular and limit the reviewer's ability to question the nature and necessity or accuracy of charges. These charges are discussed in further detail below.

Recommendation / Observation:

DPP is in possession of detailed information on usage and charges that could be provided to user departments for purposes of their own analyses. The monthly summary information, as well as more detailed information concerning usage is available electronically and could be provided to departments in a form that would permit analysis at the level of detail desired by each department.

E. Budget Authority and Payment Processing

A blanket purchase order provides DPP with budget authority to contract for service and acquire equipment for all City departments. All invoices received from the vendor are charged against the blanket purchase order. However, DPP does not absorb the entire cost of the contract, instead passing the charges along to user departments.

Each department must provide a funding or index code that identifies with its departmental budget for communications (or other if communications is part of another budget category). The subdivision or class code "209" identifies the expenditures within the budget category as a communication expense. The index code and class code must be compatible within the City's accounting / budgetary system "FAMIS". DPP has the ability to check / confirm the index code provided by each department within FAMIS.

In order to actually transfer the cost from DPP to the respective departments as shown on the monthly sheet, DPP requests a journal entry transferring the expenditure from DPP to the respective departments based on the index codes provided.

The payment of the Cingular invoice is triggered by a series of approvals within a system known as ADPICS, beginning with review and approval by DPP's phone coordinator. The next approval is based on review by the Fiscal Department within DPP who forwards the invoice to the Finance Department, where budget authority is reviewed. After approval by Finance, the invoice is forwarded to the Controller's Office for review / oversight and finally the invoice arrives at Treasury where a check is actually prepared for payment.

Recommendation / Observation:

Given DPP's ability to pass the costs along to user departments, the primary cost control is departmental budgets.

F. Departmental Usage

Using summary data provided by DPP for October 2006 (Exhibit 2), we prepared an analysis of the minutes available, cost, minutes used and average cost per minute used for each department (**Exhibit 9**). The exhibit highlights the subsidy by showing the departments with excess minutes that cover shortfalls (i.e., minutes used exceed minutes available based on number of phones), as well as the higher average cost for minutes actually used.

Based on DPP and billing information, there are about 50 individuals that had more than one phone assigned to them. It appears that those individuals typically had a phone and a blackberry device with both devices being charged for phone service (i.e., charges for blackberry or data service are added to charges for phone service to the number assigned to the device). While there may be legitimate reasons to have more than one cellular device, these phones also contribute to the pool of minutes.

G. Actual Charges for Service

We also requested and obtained a copy of the billing information DPP received from Cingular in electronic form. The Cingular electronic data permits analysis using standard database software. The CD provided by Cingular also includes reports showing call detail, charge detail and usage trends, among others.⁶

Our inspection and analysis of the Cingular electronic data provided insights that were not apparent from the statistics provided in the DPP summary. For example, of the 1,924 cellular devices under the plan (i.e., phones and Blackberries), 625 had no usage during the period covered by the bill (i.e., September 2006), excluding Blackberries and phones that are billed at the \$5.00 dormant rate. **Exhibit 10** summarizes the charges for these phones by department, which aggregate \$17,614.29 or approximately 24% of the total charges for the month.

Recommendation / Observation:

There may be opportunities for savings within the contract because many phones are held in reserve or have been secured by departments for specific purposes such as emergency response, seasonal use or special events, but are invoiced by Cingular at the \$26.99 monthly rate instead of a "dormant" rate.

⁶ A complete description of reports and information has been omitted. A copy of the information can be provided on a CD if desired.

The Cingular data also permitted a view of certain charges that are incurred under the contract and passed along to departments, which are not apparent from the information provided to the user departments by DPP. The following table shows the charges for service according to the descriptions contained in the Cingular data:

Monthly Access Charges	\$50,787.32
Data Services per Cingular (see footnote 8)	\$13,286.99
Misc. Charges Credits	\$3,500.60
Service Feature Charge	\$998.35
Peak Air Charge	\$379.20
Offoffpk Air Charge	\$112.00
Roam Gprs Charge	\$62.18
Offpeak Air Charge	\$30.40
GPRS Charge	\$6.38
Equipment Charge	\$3.99
Intralata Toll Charge	\$3.58
Roamer Tax	\$0.01
Total Charges and Taxes	\$69,171.00
Plus Equipment Charges Billed By a Separate Vendor	\$4,984.06
Total Cost Billed	\$74,155.06

The monthly access charges consist of the \$26.99 recurring charge for regular service and \$5.00 recurring charge for dormant phones. Data services represent the Blackberry data service at \$39.99 per month⁷. The other charges are largely airtime charges that have been assessed in connection with actual usage on dormant phones and miscellaneous charges.

According to our analyses, the airtime charges on the dormant phones are not in keeping with the contract. It would appear that charges are assessed for all minutes used on all of the \$5.00 phones. The data also revealed that some of the dormant phones have incurred airtime charges exceeding the \$26.99 monthly rate and at least one incurred such charges in successive months. This also highlights the need for user departments to monitor charges on all phones to avoid unnecessary charges.

The Cingular detail for the miscellaneous charges of \$3,500.60 reflects service fees and related charges for service in addition to the recurring monthly charge. However, as noted above, the bill furnished by DPP reflects only the standard \$26.99 charge for service as a "monthly fee" and aggregates all other charges, including recurring charges for Blackberries as "data service." To the extent that these charges are for data service provided and billed by Cingular (e.g., reflect the \$39.99 monthly fee for unlimited data service) this characterization by DPP is appropriate. However, other charges often appear as "data service" charges for standard phones or additional charges in connection with Blackberries (i.e., exceed monthly fee of \$39.99) on the bills provided to the

⁷ This figure includes some devices with premium service.

department or user groups by DPP making it impossible to evaluate these charges without questioning DPP.

The following detail for these miscellaneous charges is readily available from the Cingular data:

CHARGE CREDIT DESCRIPTION	CHARGE CREDIT
\$5.99 Disc Intl Roam Total	\$ 6.60
Credit Cost Recovery Charge Total	\$(1,121.25)
1-866-CINGULAR Total	\$187.32
B2B SH Pool Secondary \$5 Total	\$(185.66)
BBRYUNL Total	\$47.99
Federal Universal Service Charge - Total	\$1,964.97
Federal Universal Service Fee - Total	\$1,046.08
MSG Starter 200 Total	\$4.16
NAT450R5KNW Total	\$(23.99)
OBFRRGNUM/NW Total	\$1.00
Regulatory Cost Recovery Charge Total	\$1,246.25
Upgrade Fee Total	\$18.00
Wireless Fax Total	\$7.05
Grand Total	\$3,198.52
Unexplained variance	\$302.08

We anticipated that these charges and credits would correspond to airtime usage; however, our analysis found no correlation indicating that this was the case. It is not clear how these charges are allocated to individual departments or users.

We reviewed our observations with DPP management familiar with the Cingular contract. Their understanding was that these charges were for add-on features and / or federally mandated charges, which should be incurred ratably across the devices under the plan. DPP acknowledged that the user departments were receiving insufficient information to evaluate the nature or appropriateness of these charges. DPP is the only department in a position to monitor and review these charges under the current departmental billing arrangement.

Recommendation / Observation:

DPP is in possession of detailed information on usage and charges that could be provided to user departments for purposes of their own analyses. Detailed information concerning usage is available electronically and could be provided to departments in a form that would permit analysis at the level of detail desired by each department.

H. Individual Department Policies

In an effort to ascertain whether departmental policies existed and provide a baseline for testing compliance with departmental procedures, we requested copies of written policies and / or information from all of the departments that have been issued cellular devices

under the City contract. We received information from 14 of 40 departments or offices that received the request for information (see summary at Exhibit 11).

The information provided by the respondents varied from no policy to detailed policies and procedures covering all aspects of assignment, usage and oversight of cell phone procedures within the individual department. Some of the respondents / departments appear to be under the impression that DPP has set policy and / or taken responsibility for enforcement. Other departments have made efforts to establish their own procedures, and still others, view the recurring monthly charge as a fixed cost requiring no review.

The responses received from the individual departments provided little in the way of information about actual reimbursement policies or practices. After reviewing the responses, a decision was made to select several departments for more detailed, follow-up inquiries about policies and procedures and testing of records for tracking phones and usage.

We met with representatives of Streets, Licenses & Inspections, the Fire department and Human Services. Typically, these meetings involved department management, the department's phone coordinator and others involved in approving the issuance of phones and monitoring usage.

The departments selected for testing had varied approaches to monitoring usage and reimbursement. The policies and procedures that were related to us during the interviews were not documented. In each case, department management approved the issuance of phones. Procedures for monitoring usage and reimbursement ranged from a detailed review of usage to no review. With one exception, the prevailing view was that the fixed / standard monthly charge of \$26.99 made a detailed review of billing information largely unnecessary, or that such a review was not cost-effective under the circumstances.

Two departments provided information about their procedure for receiving and processing reimbursements. One of the departments had a supervisor reviewing bills for other than business use and reimbursement was said to occur at a rate of \$.16 per minute. The departments expressed some frustration with the billing information provided to them currently, particularly with respect to the volume of paper generated in printed form and / or an inability to review or analyze the data electronically.

We also reviewed the departmental bills received by each of the four departments, specifically the summary information provided (example at Exhibit 6). For the Streets Department, we noted that a "Snow Phone" (i.e., assigned only for usage during a snow or other special event) was the top user within the department during the month. Based on our interview with Streets Department personnel, the department has historically reviewed bills and sought reimbursement, and while that process was being followed for landline charges, it was not currently being done in connection with charges for cellular phones.



Upon inquiry with the department, we were advised that the phone had been reported lost months before. This phone number had an average of 4,133 minutes during the three months (July to September 2006), including calls to an "877" number for Philadelphia Park that is used to accept wagers. The department had not been reviewing monthly bills or billing summaries that would have disclosed this usage.

We also note that the billing summary (Exhibit 6) for the Streets Department shows 268 devices that were not used during the month of September with a total cost of \$7,731.83. This appears to be an opportunity for cost savings given the expectation that these phones will only be in use four to six months of the year.

As described above, the dormant rate provides an opportunity to have phones available at a much lower cost. During our interview with management from the Fire Department, we were advised that the Fire department takes advantage of the dormant rate, however, they mistakenly thought that the recurring rate (i.e., \$5.00 per month) reserved the number and that, upon using the phone, it was activated at the normal monthly rate (i.e., \$26.99). A review of the Fire Department's bill showed \$5.00 phones with usage charges based on airtime minutes that actually totaled more than \$26.99 per month. At least one of these was assigned to a specific user, by contrast with others billed as "FD spares," and this specific user had incurred charges averaging \$89.67 in the month of August and September 2006.

Recommendation / Observation:

There is a general lack of understanding among user departments about the contract and charges for usage. DPP is in possession of detailed information on usage and charges that could be provided to user departments for purposes of their own analyses, as well as information concerning contract terms.

Guidelines for monitoring usage, costs and reimbursement should be established centrally and disseminated to user departments.

I. Testing of Records by Controller's office

After meeting with representatives from each of the four departments, an auditor from the Controller's office conducted field tests to confirm the existence of phones and the accuracy of DPP / department records relating to the assignment of those phones. The auditor also made inquiries about usage, personal usage and awareness of departmental policies for use and reimbursement.



This testing involved the sampling of 89 phone numbers assigned to the departments tested based on DPP records⁸. The selections comprised approximately 10% of the phones assigned to these departments and approximately 4.62 % of the total number of phones in service during September 2006 (i.e., 1,924 phones). The following table summarizes the results of these tests:

	Actual Number of devices	% of Total Population	% of Sample
Number of Devices in Population	1924	100.00%	
Sample Devices Selected for Testing	89	4.63%	100.00%
Number of Devices in Sample That Could Not be Located	17		19.10%
Number of Records Deemed Inaccurate	42		47.19%
Record Inaccurate Because Employee No Longer Active	2		2.25%

Of the 17 phones that could not be located, there were seven with calls during the month of September 2006.

We note that each of the individual departments also kept their own records regarding phone assignments, however, other than using L&I's records as a basis for selection, we made no efforts to test these departmental lists. The discrepancies between DPP records and actual phone users or locations identified by the auditor underscore the lack of control over devices and the need for user departments to review the monthly billing information. Given that these assets do not fall within the City's policy for inventory and tracking of fixed assets (i.e., less than \$500), there is also a need to periodically inventory phones and match or synchronize the DPP records with departmental records to strengthen controls over devices and related recurring charges. Providing more of the billing data in an electronic format (e.g. spreadsheet or database) would facilitate this type of review and matching.

Recommendation / Observation:

Records reflecting the assignment of phones should be checked and updated periodically. This may also be accomplished as a by-product of sharing billing and user information in a more user friendly form (i.e., electronically).

J. Other Cellular Plans

Although it has five phones issued by DPP, in its response to our request for information, the First Judicial District provided general information about several, separate group

⁸ The selections for L&I were made based on a listing provided by L&I because the department added a significant number of phone, after October 1, 2006.

accounts (i.e., plans / contracts) that it maintains for 138 cellular devices. This respondent described the First Judicial District as a separate and independent branch of government that is regulated by its own internal policies and procedures.

[SPACE INTENTIONALLY LEFT BLANK]

V. AUDIT RESPONSE

By Joan Schlotterbeck, the Commissioner of the Department of Public Property.



CITY OF P H I L A D E L P H I A

DEPARTMENT OF PUBLIC PROPERTY
Room 790 City Hall
Philadelphia, PA 19107
(215) 686-4430
FAX: (215) 686-4498
Email: joan.schlotterbeck@phila.gov

JOAN SCHLOTTERBECK
COMMISSIONER

September 10, 2007

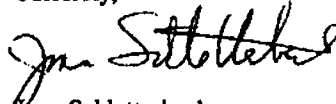
The Honorable Alan Butkovitz City Controller
1230 Municipal Services Building 1401 John F.
Kennedy Boulevard Philadelphia, PA 19102

Re: Procedures Performed in Connection with the City Controller's Audit of Cell Phone Policies and Usage

Dear W. Butkovitz:

This is to confirm that the Department of Public Property accepts the findings and recommendations in the subject Report, reflecting revisions made as a result of the Exit Conference held on August 8, 2007.

Sincerely,


Joan Schlotterbeck
Commissioner

JS/dl

c: Harvey Rice, First Deputy City Controller
Albert Scaperotto, Deputy Controller
Gerald Micciulla, Audit Administrator
Cynthia Douglas, Assistant Budget Director, Finance Dept. Joseph James,
Deputy Chief Information Officer, MOIS Frank Punzo, Deputy
Commissioner, DPP
Jeffrey D. Cardwell, Deputy Commissioner, DPP
File

RJZ/RJH:af