

Letter Report

Cellular Phones

February 2005



Legislative Audit Bureau

22 E. Mifflin St., Ste. 500, Madison, Wisconsin 53703-4225 ■ (608) 266-2818

Fax: (608) 267-0410 ■ Web site: www.legis.state.wi.us/lab



STATE OF WISCONSIN

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22 E. Mifflin St., Ste. 500
Madison, Wisconsin 53703
(608) 266-2818
Fax (608) 267-0410
Leg.Audit.Info@legis.state.wi.us

February 25, 2005

Janice Mueller
State Auditor

Senator Carol A. Roessler and
Representative Suzanne Jeskewitz, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator Roessler and Representative Jeskewitz:

We have completed a limited-scope review of state employee cellular phone contracts and usage. The Department of Administration (DOA) negotiates contracts for cellular phone service for all state agencies, including the University of Wisconsin System. The State has approximately 10,000 cellular phones, and fiscal year 2003-04 expenditures totaled almost \$2.9 million.

DOA currently contracts with four vendors, although U.S. Cellular Corporation provides nearly 90 percent of the cellular phones for state employees. Its basic monthly plan is \$4.75 per line, plus \$.09 per minute used within Wisconsin. Agencies may change plans if an alternative plan is determined to be less costly.

We reviewed all executive branch cellular phone charges for September 2004. We found that two-thirds of cellular phone charges in the month were for less than \$20. However, 386 cellular phone bills were \$100 or more, including 5 for more than \$500. We also found agency cellular phone policies to be limited and inconsistent. We include a recommendation for agencies to review high-cost bills on a monthly basis and seek less-expensive options when appropriate.

During the course of our fieldwork, DOA issued the first statewide cellular phone policy. It applies to all agencies, and contains provisions related to assignment, personal use, reimbursement, and monitoring. DOA has also purchased and is in the process of implementing a software product that will allow it and other agencies to better monitor employees' cellular phone usage. We include a recommendation for DOA to report to the Joint Legislative Audit Committee in March 2006 on the status of these monitoring efforts.

We appreciate the courtesy and cooperation extended to us by DOA and the other agencies we visited.

Respectfully submitted,

Janice Mueller
State Auditor

JM/KW/bm

CELLULAR PHONES

Use of cellular phone technology is an important tool for state employees who have job responsibilities that require them to be away from a desk but readily accessible. The Department of Administration (DOA) negotiates contracts for cellular phone service for all state agencies, including the University of Wisconsin (UW) System. The State has approximately 10,000 cellular phones through these contracts, for which fiscal year (FY) 2003-04 expenditures totaled almost \$2.9 million. During the same period, nearly 100,000 landlines cost the State approximately \$16.0 million.

In response to concerns about the cost-effectiveness and appropriateness of state cellular phone usage, we performed a limited-scope review that analyzed:

- contracts for cellular phone service entered into and managed by DOA;
- expenditures for cellular phone service by state agencies;
- agency policies related to cellular phone assignment, personal use, and monitoring; and
- DOA's efforts to establish a statewide cellular phone policy and to monitor use of cellular phones.

We reviewed expenditures for FY 2003-04, including detailed information on all executive branch cellular phone charges for September 2004. Finally, we interviewed officials and staff at the agencies with the highest cellular phone expenditures, as well as DOA staff responsible for contract administration. The agencies and UW institutions with the highest expenditures include the departments of Natural Resources (DNR), Transportation (DOT), Corrections, Health and Family Services (DHFS), Commerce, and UW-Madison and UW-Milwaukee.

A detailed review of the appropriateness of individual cellular phone bills was beyond the scope of this review. We also did not review the use of pagers or cellular devices with e-mail and other personal information management capabilities (e.g., BlackBerries), which are under separate contracts.

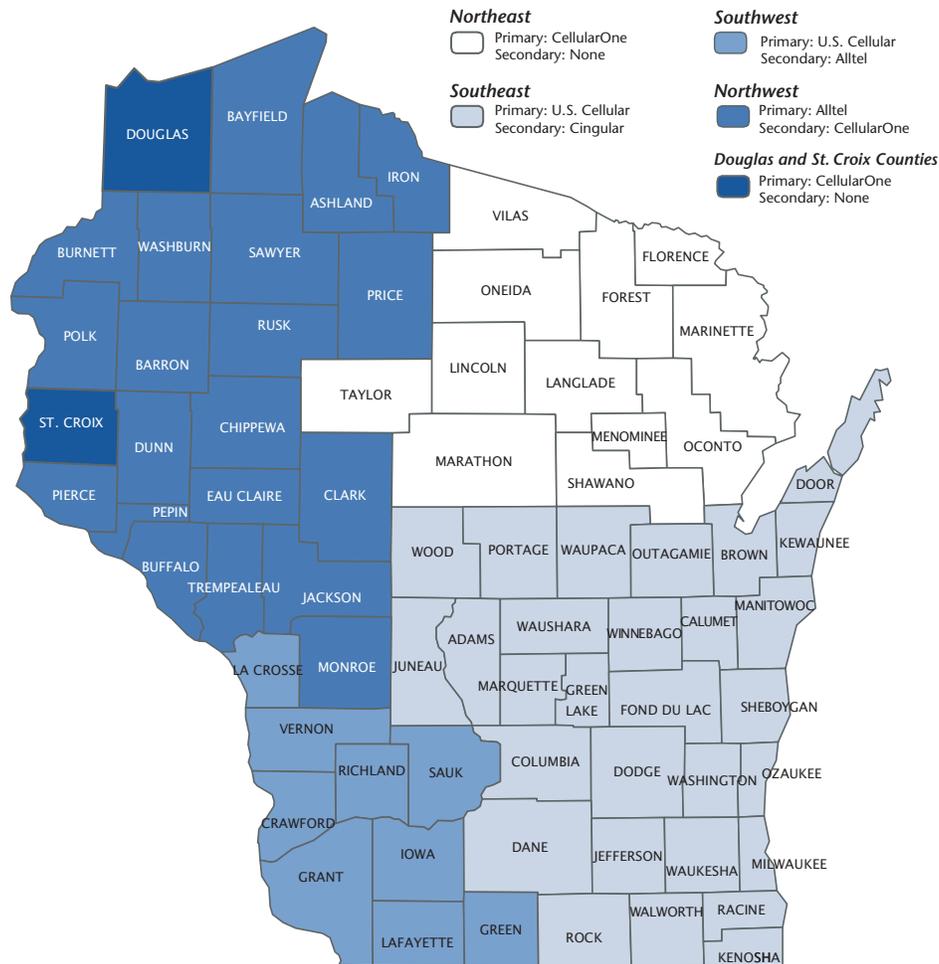
Cellular Phone Contracts and Expenditures

The current contracts between DOA and four cellular phone vendors began in May 2002 and have an initial expiration date of July 2005. The State recently exercised its option to renew two of the contracts for an additional two-year period, through April 2007. DOA is in discussions with the other two vendors regarding possible contract extensions. Agencies are required to obtain their cellular phone services through these contracts unless a contracted vendor does not provide adequate service in a particular area. DOA will provide the agency with a waiver to use an alternate vendor under these circumstances. Waivers account for less than 2 percent of cellular phones in use at the agencies we reviewed.

As shown in Figure 1, each of four regions has a designated primary and secondary, or alternate, cellular phone vendor. U.S. Cellular Corporation, the primary vendor for the southwest and southeast regions, provides nearly 90 percent of the cellular phones for which DOA contracts.

Figure 1

Cellular Phone Contract Regions



Each of the State's contracts includes a basic equipment package, maintenance, replacement, and disposal costs. The U.S. Cellular service plan includes a flat monthly rate of \$4.75 per line, plus \$.09 per minute used within Wisconsin. Unlike personal-use plans, the State's U.S. Cellular plan does not include any free minutes; however, it appears to be less expensive for many users because personal-use plans typically have higher flat monthly rates and higher per minute charges once the included minutes are exhausted.

DOA's recent contract extensions with U.S. Cellular and Alltel, which is the primary vendor for the northwest region, included vendor concessions such as extending the State's rates to interested local governments and reductions in Alltel's basic rates. The Attachment describes the four state calling plans currently in effect.

Expenditures for cellular phone services are not uniquely identified in state agency accounting systems. Further, payments to some vendors may be for both cellular and other telecommunications services, such as landlines and internet service. Therefore, expenditures for FY 2003-04 are estimates based on information collected from selected agencies, the cellular phone vendors, and the State's accounting system. As shown in Table 1, they totaled approximately \$1.0 million in the UW System and \$1.9 million in other agencies. Expenditures were greatest at UW-Madison, which had the largest number of phones. DNR, which had the second highest expenditure level, accounted for 13.1 percent of state agency expenditures and 12.6 percent of cellular phones.

Table 1

Expenditures and Number of Cellular Phones

	Expenditures (FY 2003-04)		Number of Phones (September 2004)	
	Total	Percentage of Total	Number	Percentage of Total
DNR	\$ 378,000	13.1%	1,270	12.6%
DOT	370,000	12.8	1,449	14.4
Corrections	294,000	10.2	1,445	14.4
DHFS	177,000	6.1	672	6.7
Commerce	110,000	3.8	189	1.9
DOA	93,000	3.2	267	2.7
All Other Agencies	447,000	15.5	1,518	15.1
Subtotal Agencies	1,870,000	64.6	6,810	67.8
UW-Madison	595,000	20.6	1,729	17.2
UW -Milwaukee	145,000	5.0	447	4.4
All Other Campuses	282,000	9.7	1,063	10.6
Subtotal UW System	1,022,000	35.3	3,239	32.2
Total¹	\$2,893,000	100.0%	10,049	100.0%

¹ Totals may not add because of rounding.

Business Leadership Council Telecommunications Reduction Project

In fall 2003, the Business Leadership Council for Information Technology, a group organized by DOA and composed of officials from various agencies, initiated an effort to reduce unused or underutilized cellular phones, landlines, and voicemail services. DOA sent each agency information on its cellular phone usage and instructed the agencies to review those reports and identify phones that could be eliminated. As a result, agencies reported the elimination of 814 cellular phones statewide in March 2004. DNR and Corrections eliminated the largest number of cellular phones, 347 and 325, respectively.

Cellular Phone Usage

As shown in Table 2, 66.1 percent of state employees' monthly cellular phone charges in September 2004 were less than \$20. However, the 3.9 percent of monthly charges that were \$100 or more accounted for 26.8 percent of total costs.

Table 2

Distribution of Cellular Phone Charges September 2004

Monthly Charges	Percentage of Bills	Percentage of Total Costs
Less than \$20	66.1%	23.6%
\$20-\$39.99	17.6	19.7
\$40-\$59.99	7.2	13.9
\$60-\$79.99	3.4	9.4
\$80-\$99.99	1.8	6.6
\$100 or more	3.9	26.8
Total	100.0%	100.0%

As shown in Table 3, in September 2004, 305 bills were \$199 or less. However, 81 bills were for \$200 or more, including five phones with charges exceeding \$500.

Table 3

Cellular Phone Charges of \$100 or More
September 2004

	\$100-\$199	\$200 or More
DOT	52	7
DNR	35	8
Corrections	19	2
DHFS	13	3
Commerce	17	7
DOA	12	1
UW-Madison	67	28
UW-Milwaukee	15	9
Others	75	16
Total	305	81

We obtained the job titles and responsibilities for state employees of the agencies we reviewed. Approximately one-half of the state employees with cellular phone charges of \$100 or more in September 2004 had field responsibilities, including:

- DHFS social workers who conduct assessments for child protective services;
- DOA Capitol police officers who are away from the command post;
- Department of Commerce inspectors, including plumbing consultants, elevator inspectors, commercial building inspectors, and occupational safety inspectors;
- Department of Corrections probation and parole agents;
- DOT civil engineers who manage highway projects and communicate with contractors, crews, and municipalities on-site; and
- DNR wardens and wildlife biologists.

The remaining employees with bills of \$100 or more had a variety of positions and responsibilities that may require them to be away from their desk for extended periods, including:

- department and university managers, including department secretaries, division administrators, supervisors, and section chiefs;
- university athletics staff, including coaches, event managers, and media specialists;
- university academic and research staff, including professors and researchers; and
- information technology and facilities maintenance staff.

Although the basic state plans are less expensive for most employees, agencies can change plans for individual users if an alternative plan is determined to be less costly. For example, a plan with national coverage may be less expensive for an employee who frequently travels out of state, and a plan with a large number of included minutes may be the best choice for employees with consistently high usage. While some employees with September 2004 bills of \$100 or more are already on alternative, more cost-effective plans, all agencies should carefully monitor monthly cellular phone charges.

Recommendation

We recommend state agencies regularly review all monthly employee cellular phone bills of \$100 or more to ensure that employees are on calling plans that are appropriate for their job responsibilities and cellular phone usage.

Cellular Phone Policies

Although DOA has been responsible for the State's cellular phone contracting since May 2002, a statewide policy for the assignment, usage, and monitoring of cellular phones did not take effect until January 18, 2005. DOA began drafting this policy in spring 2004 and shared it with agency telecommunications managers in December 2004.

The statewide policy contains provisions necessary for assuring appropriate use and effective monitoring of cellular phones:

- State-owned cellular phones are to be assigned only when need can be justified, and assignment must be approved by division administrators, university officials, or their designees.
- Personal calls are prohibited unless they are essential, such as for a family emergency, or they are permitted under a collective bargaining agreement or compensation plan.
- All personal calls that violate this policy are to be reimbursed at the state rate (\$.09 per minute for U.S. Cellular and Alltel, \$.12 per minute for CellularOne, and \$.10 per minute for Cingular), actual fees and charges, plus an additional charge of \$.06 per minute.

- Each month, every employee assigned a cellular phone is required to identify and discuss all personal calls with the supervisor or other person assigned to review and approve the monthly cellular phone bill.
- Supervisors are required to review the continued need for and cost-effectiveness of cellular phone assignments annually.

While the new statewide policy contains sound provisions, its implementation will be important because we found inconsistencies and limitations in the policies in effect at selected agencies in fall 2004. Table 4 notes the provisions included in those policies. Some agency staff have indicated that additional policies exist at a division, bureau, or university department level.

Table 4
**Cellular Phone Policy Provisions—Selected Agencies
Fall 2004**

Agency	Cellular Phone Assignment	Personal Use of Cellular Phones	Reimbursement for Personal Use	Monitoring of Cellular Phone Usage
DNR	X	X	X	X
DOT	—	X	X	X
Corrections	X	X	X	X
DHFS	X	X	—	X
Commerce ¹	—	—	—	—
UW-Madison	—	X	—	X
UW-Milwaukee	—	X	—	—

¹ Commerce did not have a department-wide cellular phone policy.

In fall 2004, three agencies' written policies did not specify how cellular phone assignments were to be made or approved. Based on written policies and interviews with agency staff, we found that cellular phone assignment approval authority ranged from the supervisor level to the division administrator level.

While all of the policies we reviewed addressed personal use of state cellular phones, their provisions were sometimes unclear or contradictory. For example:

- UW-Madison’s policy said that phones are to be used for calls that are “primarily” university business, but also that personal use is not permitted even if it is reimbursed;
- DOT’s policy indicated any personal use of a state cellular phone is unacceptable and may be cause for disciplinary action, yet also included provisions on reimbursement for personal calls; and
- DHFS’s policy said that personal calls are generally prohibited, but did not specify when they might be allowed.

Three agencies had written policies for reimbursement for personal cellular phone calls, and other agencies indicated that reimbursement was expected. However, when we requested information on reimbursements for personal calls, agencies were unable to provide complete and accurate data.

Agencies’ policies contained few provisions regarding monitoring of cellular phone usage. DHFS and DNR specified only that divisions or supervisors were responsible for monitoring employees’ cellular phone usage. Two other agencies—Corrections and DOT—specified that supervisors must review and approve all monthly bills, and DOT’s policy also instructed supervisors to conduct semi-annual reviews of cellular phone assignments to ensure their appropriateness and to justify their continuation. Only UW-Madison’s policy included specific written guidance regarding the monitoring of cellular phone usage. It suggested, for example, a review of destinations called, whether calls were made during normal business hours, and their length.

Most agencies indicated that cellular phone bills are also monitored by a central or regional office. However, these reviews are limited in scope. Some telecommunications coordinators noted that both the level and the type of monitoring vary across divisions or units within an agency.

Cellular Services Contracting and Monitoring

Until recently, management reports with individual calling detail were not available. However, in November 2004, DOA entered into a one-year contract with Telesoft Corporation for hosted software that will assist it and other state agencies in monitoring cellular phone costs and usage. The annual contract cost is \$24,500. U.S. Cellular will provide electronic data to Telesoft, which will maintain the data on its servers and create reports that agencies and DOA can view. The interface will allow agencies to generate customized reports based on criteria they select, including:

- agency cellular phone inventory;
- analysis of individual employees’ usage, including monthly cost and call detail for incoming and outgoing calls;
- identification of cellular phones that are seldom used; and
- analysis of usage and cost trends over time.

Each agency will have access to its own employees' cellular phone call details with the Telesoft product. DOA will have access to all information for all agencies, as well as the ability to monitor other agencies' use of the system. DOA can add the other cellular phone vendors to the Telesoft system for an additional cost but has not yet begun discussions with the other vendors. Initial implementation of the Telesoft system is expected to be complete in March 2005.

DOA will need to provide agencies with guidance on both use of the Telesoft product and the statewide cellular phone policy, and to monitor their implementation to ensure cost-effective use of cellular phones. Since more complete information will be readily available, individual agencies may also wish to expand their internal procedures for cellular phone monitoring by providing more specific guidance to supervisors, as well as a mechanism for management to ensure that adequate monitoring is taking place.

By seeking improved reporting from vendors and enabling agencies to monitor cellular phone charges electronically, DOA has improved its oversight of this activity. However, because these oversight initiatives are not yet completed, further monitoring is needed.

Recommendation

We recommend the Department of Administration submit a report to the Joint Legislative Audit Committee by March 31, 2006, addressing:

- *current information on the number of cellular phones in service at each agency, including individual institutions within the UW System;*
- *the feasibility of better tracking cellular phone expenditures by specifically identifying them in the state accounting system;*
- *the effectiveness of the new cellular phone policy, including agency compliance with its provisions; and*
- *the results of early implementation of the Telesoft product by both DOA and the agencies for monitoring purposes.*

Attachment

Cellular Phone Service Plans in State of Wisconsin Contracts October 2004

Vendor	Monthly Rate	Included Minutes	Per Minute Charge (After Included Minutes)	Additional per Minute Roaming Charge	Additional per Minute Long Distance Charge
U.S. Cellular	\$4.75	0	\$0.09	\$0.00 intrastate, \$0.75 interstate	\$0.00
Alltel ¹	4.75	0	0.09	0.00 intrastate, 0.79 interstate	0.15 intrastate, 0.40 interstate
CellularOne	9.75	30	0.12	0.75 intrastate, 0.99 interstate	0.25
Cingular	6.95	0	0.10	0.49	0.00

¹ The State's contract with Alltel was revised in October 2004. The previous plan had three tiers, with monthly rates ranging from \$9.99 to \$27.99, between 30 and 300 included minutes, and additional charges of \$0.15 per minute.
