INTER-OFFICE MEMORANDUM

DATE: March 13, 2015

TO: Matt B. Arvay, Chief Information Officer

FROM: Lyndon S. Remias, City Auditor

SUBJECT: Audit Results of Verizon Wireless Account

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**Background**

City employees may be assigned a cell phone for use in the course of their employment when it provides economic, efficient, and secure solution to the City’s business needs. Requests for a city-provided cell phone are made at the department level based on specific needs of the department and working conditions of the employee. The function regarding the management of wireless devices is decentralized throughout the city. Thus, each respective department, not ComIT, is responsible for what cell phone and plan to select and when to activate/deactivate devices.

Cell phones are provided under the terms of the contract with Verizon. The city has approximately 2,154 active wireless devices currently in use.

**Scope**

The Office of the City Auditor contracted Troy & Banks, Inc. to perform an audit of the city’s Verizon Wireless accounts. The scope of the audit included, but was not limited, to a review of the following areas:

- Monthly Charges
- Pooling of Minutes and Data
- Miscellaneous Charges
- Zero Use Device Analysis
- Rate Plan Analysis
Audit Results

Result #1: Zero Use Device Analysis
Troy and Banks (T&B) identified a listing of 328 devices which were found not to be in use for data or voice for a 3 month consecutive period of time. From the T&B report they noted “Three months leaves ample time to omit vacations taken, maternity leaves and miscellaneous dips in usage therefore we find that most cases that these devices can be removed or placed in “suspend mode” for a limited period of time to be sure, then a removal is executed at alter period in time”.

Based on the initial analysis that T&B performed, the Office of the City Auditor performed an additional analysis to determine those devices that truly warranted being deactivated. This analysis included obtaining direct input from the departments. Based on the input from the departments it was determined that 124 of the 328 devices could be turned off resulting in annual savings of approximately $55,853.16. The reasons for deactivating the 124 devices ranged from “no business need for device” to “laptop stolen thus, air card no longer needed”.

Account Impacted: Various Department Accounts

Estimated Annual Savings: $56K

Recommendation:
1.1 ComIT continues to work with departments in establishing procedures to review usage of all wireless devices on a regular basis. Any devices that are no longer being utilized should be deactivated. Particular attention should be paid to those devices with no or minimal use, “spare” and “extra” phones, and employees who have left the department and/or city.

Result #2: Inaccurate Landline Count
T&B identified that the city was being billed for the 911 service based on an inaccurate number of landlines. The number of landlines being used to bill the city was based on 2010 numbers as opposed to more recent numbers which show a decrease in the number of landlines.

<table>
<thead>
<tr>
<th>Description</th>
<th>Before</th>
<th>After</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bund-SR svcs only, for Non-company rods, per 100</td>
<td>2,839</td>
<td>2,709</td>
<td>130</td>
</tr>
<tr>
<td>bundled-5SR svcs only, for company lines, per 100</td>
<td>609</td>
<td>527</td>
<td>82</td>
</tr>
<tr>
<td>Cost</td>
<td>$32,063.64</td>
<td>$29,991.42</td>
<td>$2,072.22</td>
</tr>
</tbody>
</table>

Account impacted: E911 account invoice

Estimated Annual Savings: $24K plus retroactive recoveries of $80K
Recommendation:
2.1 ComIT work with ECCS to implement a process to contact Verizon annually to determine the number of units of landlines charged is accurate.

Result #3: Pooling (Sharing) of Minutes
T&B identified that the city could realize significant cost savings by utilizing plans that pool the number of minutes either city-wide or by account. Currently, many plans do not pool minutes. Thus, the city is paying for under/over utilized minutes. For example, some employees could be on a plan that provided 800 minutes a month when less than 100 minutes are utilized.

Account Impacted: Various Department Accounts

Estimated Annual Savings: $106K

Recommendation:
3.1 ComIT request plan optimization reports from Verizon wireless. Use the optimization reports to work with departments to review and analyze all accounts and the current wireless plans. Identify those accounts that can realize cost savings by pooling minutes within an account and those accounts where minutes can actually be decreased.

Result 4: Exception Reports
T&B reviewed expenses related to miscellaneous phone charges which could potentially be avoided to include the following:

- Purchase Charges related to downloads
- Roaming Charges
- Airtime Charges (Exceeding minutes allocated)
- Data Charges (Exceeding data limits)
- Messaging Charges (Exceeding text message limits)
- Roaming Charges

While the expenses were minimal these charges should be regularly reviewed as there may be opportunities to avoid these expenses. For example additional data charges, text messaging charges, and airtime charges could be avoided by the pooling and restructuring of accounts.

Accounts Impacted: Various Departments

Estimated Annual Savings: $6K
Recommendation:
4.1 ComIT work with departments to develop procedures for reviewing Verizon wireless accounts and identifying miscellaneous phone charges. Miscellaneous charges should be reviewed and where possible procedures should be implemented to avoid unnecessary charges from reoccurring.

Overall estimated annual savings from the above results are as follows:

<table>
<thead>
<tr>
<th>Estimated Annual Cost Savings</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Zero Use Device Analysis</td>
<td>56,000.00</td>
</tr>
<tr>
<td>2 Inaccurate Landline Count</td>
<td>24,000.00</td>
</tr>
<tr>
<td>3 Pooling of Minutes</td>
<td>106,000.00</td>
</tr>
<tr>
<td>4 Miscellaneous Charges</td>
<td>6,000.00</td>
</tr>
<tr>
<td></td>
<td>$ 192,000.00</td>
</tr>
</tbody>
</table>

The issues discussed in this memorandum are not the results of an audit performed in accordance with generally accepted auditing standards. Had we performed such an audit, additional issues might have been reported.

We would like to thank the ComIT staff for their courteous assistance during the course of this engagement. We would also like to thank Troy & Banks, Inc. for their thorough review of the city’s wireless accounts. Should you have any questions, please do not hesitate to contact me at 385-5872 or via e-mail at lremias@vbgov.com.

LSR/jdc

cc: Dave L. Hansen, Deputy City Manager
    City Council Members
    Audit Committee Members
INTER-OFFICE MEMORANDUM

DATE: March 12, 2015

TO: Lyndon S. Remias, City Auditor

FROM: Matthew B. Arvay, Chief Information Officer

SUBJECT: Audit of Verizon Wireless Accounts

Thank you for the recent efforts regarding Verizon Wireless devices in the organization. We appreciate the time your office devoted to communicating directly with departments and outlining suggestions for continued cost reductions. The Department of Communications and Information Technology (ComIT) concurs with your findings and will continue to assist departments in cost efficient use of wireless devices. I would also like to thank you for your willingness to present the audit findings at the Department Director II meeting to inform department leadership of their responsibility regarding review and control of wireless device charges. Our response to the recommendations is noted below.

Recommendation 1.1 – ComIT continues to work with departments in establishing procedures to review usage of all wireless devices on a regular basis. As stated, ComIT will provide assistance to departments through instructions on running the standard utilization report and routine monitoring of the organization-wide report.

Recommendation 2.1 – ComIT will work with ECCS to implement a process to contact Verizon annually to determine that the number of landlines charged is accurate. A process has been documented and implemented to coordinate a new landline count each October. ComIT will work with ECCS to maintain current data regarding the charge.

Recommendation 3.1 – ComIT will request plan optimization reports from Verizon Wireless for use with departments in review and analysis of accounts and the pooled minutes available. Each department is being contacted individually regarding available pooled minutes and the level of need for the accounts. The coordination will continue, with departments receiving information and training regarding options available to reduce costs of wireless devices.
Recommendation 4.1 - ComIT will work with departments to develop procedures for reviewing Verizon Wireless accounts and identifying and eliminating unnecessary miscellaneous phone charges. ComIT will continue to train departments in reviewing standard reports to identify and eliminate unnecessary miscellaneous charges.

We appreciate the information and guidance regarding corrective action for the identified deficiencies. ComIT looks forward to providing assistance to the organization in these cost minimization efforts.

cc: Dave L. Hansen, Deputy City Manager