

**CITY AUDITOR**

**Gary W. Nystul, CPA CFE**  
gary.nystul@ci.bremerton.wa.us

Tel 360-473-5369  
Fax 360-473-5080  
345 6th Street, Suite 600  
Bremerton, WA 98337

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Honorable Patty Lent, Mayor  
Members of the City Council

The City Auditor has completed a review of the city acquisition and use of cell phones and pagers and has issued the attached report. This is a subject that the City Auditor has studied and made recommendations on since at least 1995. Several recommendations were also made in this report to improve accountability and potentially reduce costs.

Please contact me if you have any questions or would like further information.

Sincerely,

Gary W. Nystul

cc: City Attorney

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# **REVIEW OF CELL PHONES AND PAGERS**

## **Purpose**

The Office of the City Auditor reviews various phases of city operations. This review of the cell phones and pagers was scheduled on the 2010 work plan.

## **Scope**

This is a review of the cell phones and pagers used in 2009, their related costs, their use, and overall administration.

## **Statement of Auditing Standards**

This performance audit was conducted in accordance with Generally Accepted Government Auditing Standards, except Standard 3.50 requiring an external quality control review. Those standards require that the auditor plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives. The auditor believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

## **Objective**

The objective of this audit was to:

- Review cell phone and pager costs for 2009
- Perform an overview of the use of the instruments in the various departments
- Review policies and procedures used to administer these devices
- Report observations of ways to improve efficiency, economy or effectiveness

## **Summary of the Results**

- Some cost savings can be obtained by reviewing cell phone and pager utilization to eliminate unused and unneeded instruments
- One management level individual should be assigned overall responsibility for communications management
- The city policy on telephones should be updated and improved
- Stipend use and reasonableness should be reviewed periodically
- IRS regulations regarding cell phone use should be followed

## BACKGROUND

Cell phones and pagers have been used by city employees for many years. Discussion about the need, use, and costs of cell phones and pagers has gone on for almost as long.

When cell phones and pagers were first placed in service they were managed by the Electronics Division of the Department of Public Works & Utilities. Recently several departments have procured their own cell phones and one department has obtained pagers from a different vendor. In 2009, the city used three vendors for the 190 cell phones and two vendors for the 122 pagers. In addition, the city paid 28 employees and officials a stipend for them to use their personal cell phones rather than providing a city cell phone.

The costs for cell phones and pagers are charged to the various departments who use them. The cost of stipends is included in salaries and wages and thus is not included as a cell phone cost. For 2009, the cell phone and pager costs by fund and department are as follows:

### EXPENDITURE SUMMARY

	Cell Phones	Pagers
General Fund Departments		
Executive	\$1,903	\$185
Legal	412	
Community Development	1,059	111
Police	26,050	1,208
Fire	8,816	134
Building Maintenance	533	13
Parks	6,678	700
Engineering	4,643	630
Economic Development	870	
Total General Fund	50,964	2,982
Other Funds		
Street	5,361	1,831
BKAT	560	
Water	10,377	4,268
Wastewater	1,828	2,244
Equipment Services	1,472	198
Information Services	1,470	44
Total Other Funds	21,068	8,585
Total All Funds	\$72,032	\$11,566

The following table reflects the number of cell phones and pagers used by the various departments during 2009. Changes in use and number were made during the year. This table reports those in use in the last half of the year.

Department	Cell Phones	Pagers	Stipend
City Council	0	0	3
Executive	2	2	0
Legal	1	0	0
Community Development	4	0	1
Police	71	12	0
Fire	16	1	0
General Facilities	2	0	0
Parks	19	8	3
Engineering	10	12	3
Economic Development	1	0	0
Streets	13	18	0
BKAT	2	0	0
Water	31	39	7
Wastewater	10	15	10
Stormwater	3	11	1
Equipment Services	3	2	0
Information Technology	2	2	0
Total	190	122	28

## **PAGERS**

Pagers are used in many different ways by the various departments. For example, in the Forestry Division they are used primarily for recall during the fire season. They are also a backup for communication in the watershed. In the Fire, Police and some other departments, pagers are needed because cell phone coverage where on call employees live is either not reliable or not available. Public Works employees use a pager where equipment noise may keep them from hearing a cell phone call. They have a concern that in an emergency recall situation, cell phone reception may not be reliable in all the spaces in which they work.

In the Wastewater Treatment Division, the pagers are dialed by the plant computer operating system when there is a need for a human response. The plant is not manned 24 hours each day. The computer control system can page an operator when they are not present. In addition, the SCADA system that controls the lift stations also pages when there is a problem. The Water Resources Division operates in a similar manner. Their SCADA system controls the water pump stations and treatment facilities. The standby operator is paged when needed. The pagers are considered more reliable for this type of communication than cell phones.

To enhance communication capabilities, the Department of Information Technology has developed a web page application enabling city employees to use their computer and the city intranet (CobWeb) to send a page. A copy of the web page is attached.

The cost of pagers is minimal. In December the city was paying \$6.43 and \$6.50 per month for each pager. In 2009, the city paid a total of \$11,566 for pager service from the two vendors.

## **CELL PHONES**

Cell phones are a useful tool for employees in the various departments. They facilitate communication with customers, city employees and other agencies. These phones may be found mounted in vehicles, portables attached to vehicles, or just portables in the hands of the users. There are three vendors who provide cell phones to the city.

The Police and Fire departments use Sprint-NEXTEL service. It has the "Direct Connect" or "push-to-talk" feature that enhances their ability to communicate with each other or groups of employees. The user just pushes a button to talk. It functions much like a walkie-talkie in that the cell phone number is not dialed. The connection is in less than a second. This is an added communication tool for the police who do not have to use radio traffic which is often monitored by citizens in "scanner land."

Some cell phones have the ability to receive email that has been sent to their city office computer. This enables them to keep in touch when they are not at their computer. When this feature was first used it was by only a few employees and any email they sent did not go through the city computer system. The city systems have now been modified so the computer email system retains a copy of all received or sent emails.

City policy allows employees to be paid a stipend of \$25 per month to use their own cell phone for city business. City policy prohibits use of a city telephone for personal use which causes some employees to carry a personal cell phone as well as a city cell phone. The stipend allows the employee to use their cell phone for personal and business and not have to reimburse the city for any personal use costs.

Current Internal Revenue Service regulations consider cell phones as "listed property." In order for the city to not include the cost of the use of a city provided cell phone as a

“taxable fringe benefit” to the employee, the regulations require records to be kept to distinguish personal use from business use. This means that the employee would have to keep a record of each call. If the city maintained a policy of prohibiting personal use, the IRS regulations would require the city to periodically audit each cell phone bill to ensure compliance. If the city maintained the no personal use policy but did not audit phone use, the IRS regulations require fair market value of the phone and use to be added to the income of the employee.

## MANAGEMENT ISSUES

The procurement and use of cell phones and pagers has not been well managed throughout the city. For example, the primary reason the Wastewater Treatment Plant procured their own pagers was a lack of customer service. The reasons the Police department obtained their own cell phones were errors in billing for phones and the length of time it took to make changes.

The Police and Fire departments have obtained calling plans allowing cell phone use minutes to be shared across the department. Other departments may be able to reduce costs by obtaining similar plans. If a communications manager were designated, they may be able to find savings from bundling city cell phones.

The city’s primary pager vendor could provide only three current months of pager use. An analysis of the number of pages received during the months of November, December, and January disclosed the following use. This schedule indicates there may be opportunities to discontinue some pagers because they are not used or are used infrequently.

Pagers with no use	22
Pager with one to 20 calls	40
Pagers with more than 20 calls	<u>44</u>
Total	106

The Department of Information Technology has developed a web page on the city intranet enabling pages to be sent from city computers. It is easy for the user to select the employee, type in the message and click send. However, the list of people with pagers is not accurate. For example, it lists the HR manager as having a pager. She reports she has not had a pager for years. This indicates a lack of coordination and oversight.

The city was paying for 13 spare pagers according to the December invoice. The cost is a minimal amount. This appears to be an excessive number given the ability today to ship replacement pagers from long distances in a short period of time.

The City Telephone Policy (Policy 3-10-12) was revised in 2005 to add the payment of a stipend of \$25 for employees to use their personal cell phone rather than a city cell

phone. The policy also contains provisions which are vague, unenforceable or unrealistic. For example, it requires a committee to be established and meet quarterly to review department cell phone plans and use. This has never been done and is not practical. It also requires an annual report demonstrating departmental compliance with the telephone policy to be made to the Audit Committee. There has never been such a report. The policy guidance on landline phones merely states that city telephones are not intended for personal use. There is no discussion on the administration, operation or cost allocation of the city telephone system. This is the only policy on telephones.

## **RECOMMENDATIONS**

### **1. Assign responsibility to coordinate or oversee purchases/rentals and management of phone service**

Department Directors are responsible for the administration of their departments including expenditures. These expenditures include cell phones and pagers. However, there is no one to coordinate purchases by more than one department or to coordinate procurement to take advantage of any savings available by bundling cell phone use. The assignment of overall management of telecommunications to one individual may improve efficiency and reduce costs.

### **2. Update Policy 3-10-12 City Telephone Policy**

Policy 3-10-12, City Telephone Policy, should be updated to reflect the current equipment, technology and facilities used by the city.

The provision that requires an individual using a city landline telephone for a personal call to provide the Department Head with the telephone number called, date and time of call and approximate length of call should be deleted. There is no cost for calls within the local calling area. Long distance calls cost about three cents per minute. The administrative time to collect for a brief call would far exceed the actual cost to the city. In instances of abuse of city phones and where costs are incurred, the employee should still be liable to reimburse for the expense.

The provision requiring a committee to meet quarterly to review department cellular telephone plans should be deleted.

The provision requiring an annual report to the Audit Committee should be eliminated. It is unclear who is to do the report, what it is to contain, or what the purpose is.

Procedures and policies for how cell phones are to be obtained, their permitted uses, and accountability should be updated and clearly stated.

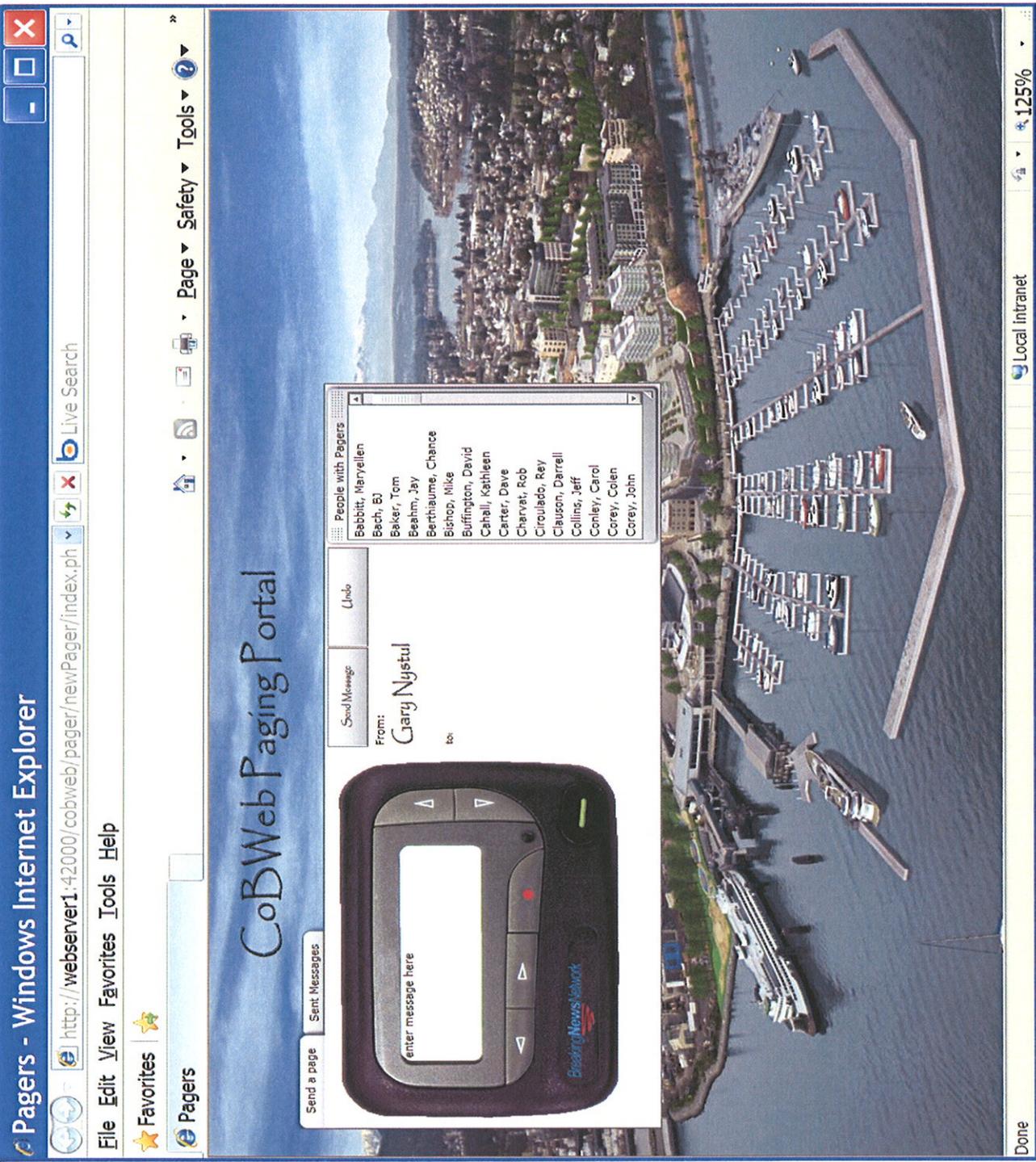
While the policy is being revised, policy and procedures for landline telephones should be included. These would include procedure for procurement, administration, cost allocation and departmental responsibility to monitor use.

### **3. Review the stipends**

Periodically the city administration, department director, and/or cell phone manager should review the payment of stipends to the city employees. The review should include consideration of the reasonableness of the amount the city is paying compared to the cost of city use of the personal cell phone.

### **4. Compliance with IRS regulations**

The City should comply with IRS regulations regarding cell phone use. Although legislation has been introduced to remove cell phones from listed property and reduce their taxability to employees, it has not yet passed the Congress. Until changes are made, the current rules should be followed.



# CoBWeb Paging Portal

Send a page

Sent Messages



Send Message (Info)

From:

Gary Nijstul

to:

- People with Pagers
- Babbitt, Maryellen
  - Bach, B
  - Baker, Tom
  - Beahm, Jay
  - Berthiaume, Chance
  - Bishop, Mike
  - Buffington, David
  - Cahall, Kathleen
  - Carter, Dave
  - Charvat, Rob
  - Ciroulado, Ray
  - Clauson, Darrell
  - Collins, Jeff
  - Conley, Carol
  - Corey, Colen
  - Corey, John