

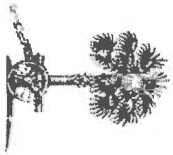
**DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF DIRECTOR**

ACTION REFERRAL

TO <i>Wells</i>	DATE <i>6-11-08</i>
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DIRECTOR'S USE ONLY	ACTION REQUESTED
1. LOG NUMBER <i>000650</i>	<input type="checkbox"/> Prepare reply for the Director's signature DATE DUE _____
2. DATE SIGNED BY DIRECTOR <i>[Signature]</i>	<input type="checkbox"/> Prepare reply for appropriate signature DATE DUE _____
<i>Ref Log # 612</i> <i>Boo List Attached 8-A</i> <i>Review of State Use of</i> <i>Cell Phones Pages 4</i> <i>Satellite Phones</i>	
<input checked="" type="checkbox"/> Necessary Action I I FOIA DATE DUE _____	

APPROVALS (Only when prepared for director's signature)	APPROVE	* DISAPPROVE (Note reason for disapproval and return to preparer)	COMMENT
1.			
2.			
3.			
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LAC

SOUTH CAROLINA GENERAL ASSEMBLY

Legislative Audit Council

June 2008

A REVIEW OF STATE USE OF CELL PHONES, PAGERS, AND SATELLITE PHONES





SUMMARY

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A Review of State Use of Cell Phones, Pagers, and

Department of Health & Human Services
STATE OF THE PHONICS



INTRODUCTION

Members of the General Assembly requested the Legislative Audit Council to conduct an audit of the state's use of cell phones and other wireless communication devices. The requesters wanted to know whether these devices are being used efficiently and if the agencies have proper controls over their acquisition and use.

BACKGROUND

Based on our survey of state agencies, we estimate there were over 15,000 cell phones, 7,000 pagers, and 170 satellite phones in use during the time of our review. Approximately 25% of state employees carried state-issued cell phones. Of the 100 agencies we surveyed, 96 (96%) reported having issued cell phones or pagers to their employees. We estimate that the state spent over \$7 million on cell phones, \$790,000 on pagers, and \$68,000 on satellite phones in FY 05-06.

We reviewed state agencies' management and use of cell phones and other wireless communication devices. We found that agencies have taken steps to improve the efficiency of their use of these devices.

- ☐ State contracts have been established for cell phones, pagers, and satellite phones, which allow agencies to purchase these services at a discount.
- ☐ Most agencies have cell phone plans that allow employees to share minutes which can help reduce costs and prevent overage charges.
- ☐ Agencies with a large number of cell phones, such as the Departments of Health and Environmental Control, Mental Health, and Natural Resources, have negotiated separate agreements with cell phone companies and achieved additional savings over state contract pricing.

We identified areas where agencies could improve the efficiency and effectiveness of their management of cell phones and other devices. We believe if all agencies were to adopt the recommendations contained in this audit, the state should be able to reduce its total expenditures on cell phones and pagers by at least 10%, resulting in estimated savings of over \$800,000 annually.

The Budget and Control Board, in conjunction with state agencies, should develop a statewide policy for state-issued cell phones and other wireless communication devices provided to state employees.

In our survey of state agencies, 26 (27%) of the 96 agencies that provided cell phones or other devices to their employees reported they did not have a written policy. By having a statewide policy, the state could realize a variety of benefits that include:

- Improved information to help the state negotiate better contracts.
- Improved controls over justification and assignment.
- Reduced state agency expenditures related to inefficient operation and monitoring of cell phones.
- Better monitoring of the use of equipment and services.
- Greater compliance with regulations and laws.
- Clear disciplinary standards and reduced likelihood of abuse by employees.

JUNE 2008

AUDITS BY THE LEGISLATIVE
AUDIT COUNCIL CONFORM TO
GENERALLY ACCEPTED
GOVERNMENT AUDITING
STANDARDS, AS SET FORTH BY
THE COMPTROLLER GENERAL OF
THE UNITED STATES.

FOR MORE
INFORMATION

Our full report,
including comments from
relevant agencies,
is published on the Internet.
Copies can also be obtained by
contacting our office.

LAC.SC.GOV

Legislative Audit Council
Independence, Reliability, Integrity

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State agencies should consolidate their monthly bills from cell phone providers. Agencies should establish online administration systems for managing cell phones.

Seventy-eight agencies reported having a consolidated cell phone bill. However, 12 agencies with 10 or more cell phones reported they do not. For example, the State Department of Education (SDE) processes 30 separate vouchers each month for its cell phones from one company. A 2003 study estimated that it takes more than one hour and costs \$22.67 in administrative costs to process a single voucher. Thus, an agency such as SDE can expend over \$8,000 in administrative costs each year processing these vouchers.

Only one-third of agencies reported making use of online billing and management tools. In addition, nearly all agencies reported receiving cell phone bills on paper. These bills can run thousands of pages. For example, DHEC's April 2007 consolidated account statement was 2,566 pages long.

Online reports may be quickly generated for management review and can provide the agency with information on high or low users of minutes, the most frequently called phone numbers, directory assistance calls, roaming charges, overage charges and nearly any other topic pertaining to cell phone billing data. Online bills and reports are easier to review and analyze than paper documents.

The Emergency Management Division of the Adjutant General's Office should compile a directory of all agency satellite phone numbers. Agencies should establish written policies regarding satellite phone acquisition, intended use, management, and testing.

We identified 15 state agencies with 170 satellite phones. We estimate the state spent \$68,000 on satellite phones in FY 05-06 and \$185,000 in FY 06-07.

State agencies should review their use of pagers, particularly where employees are assigned both a pager and a cell phone.

We estimate that over 7,000 state employees (approximately 12%) carry pagers. Of the 100 agencies we contacted, 61 (61%) reported having at least one pager. We reviewed pagers at 5 state agencies and identified 671 employees with both a pager and cell phone.

The State Chief Information Officer should verify the information reported by private companies regarding the number of cell phones and expenditures by state agencies.

Private companies are required to pay an administrative fee of 1% of the total actual sales to the CIO to cover costs associated with contract administration. In the case of cell phones, this amounted to approximately \$49,000 in FY 05-06 for state agency cell phone expenditures. Companies self-report information on state agency expenditures and the CIO does not independently verify the accuracy of this information. We reviewed the information sent by the companies and found errors.

State agencies should review their cell phone plans to ensure they are on the most cost-effective plans.

We found several agencies that were not using a significant percentage of their plan minutes and could reduce expenditures by switching their cell phone plan. The table shows agencies' projected savings and the percent reduction in the bill amounts from switching to a new plan.

SAVINGS FROM CHANGING PLANS		
AGENCY	ESTIMATED SAVINGS	
S.C. State	\$24,000 (16%)	
Revenue	33,000 (12%)	
Parks, Recreation & Tourism	3,500 (19%)	
Juvenile Justice	500 (3%)	
Education	12,800 (23%)	
Attorney General	600 (2%)	
TOTAL	\$74,400	

Source: Reports and bills provided by cell phone companies and emails from state agencies.

State agencies should periodically review employee cell phone use and eliminate phones for employees whose use does not justify having a phone. Agencies should provide prepaid phones for employees who need phones only for emergencies or occasional use.

In a sample of agencies, we identified 91 cell phones that could be eliminated and 115 phones which could be switched to prepaid phones. We estimate a combined savings of over \$37,000 annually.

State agencies should improve procedures for monitoring cell phone use to prevent overages.

We identified three agencies with significant overage charges.

AGENCIES WITH SIGNIFICANT OVERAGE CHARGES		
AGENCY	OVERAGE	TIME PERIOD
Probation, Parole and Pardon Svc.	\$108,900 (32%)	Aug. 2006 – July 2007
Motor Vehicles	\$9,800 (9%)	Jan. 2007 – July 2007
Education	\$6,500 (17%)	Jan 2007 – Aug. 2007

Source: Agency cell phone bills.

State agencies should review cell phone bills to identify high-cost users and adjust plans where necessary to reduce costs.

We identified employees who incurred significant cell phone charges, either for a single month or up to one full year.

EMPLOYEE BILLS WITH SIGNIFICANT CELL PHONE CHARGES		
AGENCY	AMOUNT	TIME PERIOD
S.C. State	\$5,056	July 2006 – June 2007
S.C. State	\$4,206	July 2006 – June 2007
S.C. State	\$3,784	July 2006 – June 2007
University of S.C.	\$2,405	July 2006 – June 2007
University of S.C.	\$2,227	July 2006 – June 2007
Probation, Parole and Pardon Svc.	\$1,970	April 2007
Motor Vehicles	\$621	June 2007

State agencies should establish a policy that prohibits personal use of cell phones by employees and blocks downloading features, such as games, that are not initiated through text messaging.

We identified almost \$2,000 of materials inappropriately downloaded onto state-issued cell phones and have provided examples of material commonly downloaded by state employees as shown in the tables.

We also found examples of extensive personal use including a Probation, Parole and Pardon Services employee whose 150 hours in personal calls between July 2006 and August 2007 resulted in \$2,800 in overage charges.

Agencies have taken steps to reduce personal use and inappropriate downloads. These steps include requiring employees to reimburse for inappropriate downloads, blocking downloads where possible, reviewing agency cell phone bills, and counseling employees on the proper use of state-issued cell phones.

TOTAL COST OF DOWNLOADS		
AGENCY	COST	TIME PERIOD
Probation, Parole and Pardon Svc.	\$1,485	Aug. 2006 – July 2007
Health and Human Services	200	Jan. 2007 – July 2007
Natural Resources	104	Jan. 2007 – July 2007
Public Safety	100	July 2006 – June 2007
Motor Vehicles	31	Jan. 2007 – July 2007
Education	31	Jan. 2007 – Aug. 2007
TOTAL	\$1,951	

EXAMPLES OF DOWNLOADED MATERIALS			
DOWNLOAD		AGENCY	
TITLE	COST	NUMBER	
Deal or No Deal	\$0.99	86	Probation, Parole and Pardon Svc.
Blinck Jokes	\$0.99	81	Health and Human Services
Funmobile Alerts	\$5.99	36	Probation, Parole and Pardon Svc.
Tiger Woods Tour	\$2.75	23	Probation, Parole and Pardon Svc.
Dada.net Text Alerts	\$9.99	20	Public Safety Natural Resources Health and Human Services
Nascar.com to go Wallpaper	\$5.49	11	Probation, Parole and Pardon Svc.

State agencies should establish a system for monitoring employees' bills to ensure compliance with the state's policy on personal use, and with IRS regulations.

The IRS considers cell phones assigned to state employees to be "listed property" and "working condition fringe benefits," which are taxable.

Therefore, any state employee using a cell phone provided by the state for business use may be required to pay taxes on any personal use that is not reimbursed. State agencies may also be subject to taxes for employees' personal use.

State agencies should prohibit state employees from using traditional 411 directory assistance. State agencies should instruct employees to use alternative services.

We were able to obtain total directory assistance charges for 14 state agencies for FY 06-07 and found that these agencies spent \$10,129.

We also identified 21 employees at 9 state agencies who incurred over \$100 in 411 calls during FY 06-07, with amounts ranging from \$106 to \$356.