

Office of the State Auditor  
Performance Audit Division



# State of Mississippi

**From the Office of State Auditor**

**Phil Bryant**

**A Review of State Agency and University Cell Phone Use**

Report # 90  
Date: October 15, 2004

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**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**PHIL BRYANT**  
AUDITOR

October 15, 2004

Honorable Jack Gordon, Chairman  
Senate Appropriations Committee  
Honorable Johnny Stringer, Chairman  
House Appropriations Committee  
New Capitol  
Jackson, MS

Dear Senator Gordon and Representative Stringer:

Pursuant to HB 1279, 2004 regular session, the Office of the State Auditor has completed a review of state cellular telephone use. A survey of all state agencies and universities reporting indicated the taxpayers' purchased 5,064 cell phones during fiscal year 2004. The total cost for the cell phone units was \$446,755.80. Cost of service cost was \$2,131,403.79. The combined expenditures for units and service was \$2,578,159.59.

A discrepancy exists between the number reported on the audit survey and that reported on the state inventory for state agencies and universities. This difference of 240 units at \$72,225.74 was the result of improper use of object codes, improper purchases, lack of inventory control and timing.

Cost of cell phone units and service costs have increased from FY 2003 by a total of \$250,221.14. This does not include state universities' cost as they were not required to be identified and reported prior to the passage of HB 1279 in 2004.

Cell phone costs can best be brought under control by internal agency management to include monitoring and auditing of bills every month by agency supervisors. Part of this management should include written policies for cell phone use to be explained to every user. Employees should be required to sign a certification of understanding regarding use policy and the results of its violation.

Further explanation of the recommendation and findings of this audit is enclosed in the attached report. Any questions or comments should be addressed to Ms. Sam Atkinson, Director of the Performance Audit Division at (601) 576-2800.

I hope this report will be helpful as you strive to streamline state government and make it more efficient and effective.

Sincerely,

A handwritten signature in black ink, reading "Phil Bryant". The signature is written in a cursive style with a large, sweeping initial "P" and a long, horizontal flourish extending to the right.

Phil Bryant  
State Auditor

**Office of the State Auditor  
Phil Bryant**



**A Review of State Agency and University Cell Phone Use**

*Report Summary*

In HB 1279 of the 2004 regular session, the legislature required every “agency, department, and institution of the State of Mississippi” to submit a report to the State Auditor with cell phone usage information for FY 04. They further required the State Auditor (OSA) to review and determine the accuracy of the reports.

***With the expectation of continuing this effort, substantial baseline data was collected for FY 04 to be used for future comparisons.***

OSA collected surveys and compared agency financial reports gathered from the Statewide Automated Accounting System, SAAS, as well as property inventory records. Differences were found between the two sets of information—OSA data and agency/university surveys—which may have been related to timing issues (financial/payment information may not have been entered into SAAS at the time of OSA’s query); improper use of object codes (codes changed in the last fiscal year); illegal agency or university purchases where they did not follow state procurement laws; and/or where they failed to properly record cell phones on state inventory.

Overall property inventory data reported by agencies and universities showed that, while they have more phones in service and their total

expenses are up, actual cell phone costs per unit have decreased, largely as a result of the efforts of Mississippi Department of Information Technology Service (MDITS) to reduce costs through its Express Products List (EPL).

Survey results showed 86 state agencies and 15 university entities had 5,064 cell phones worth a total of \$446,755.80. This was a difference of 240 more phones than the 4,824 these entities reported on state inventory with a total value difference of \$72,225.74 less than state

*State accounting records (SAAS and state inventory) for cell phone plan and unit costs (not including state universities):*

*FY 03: \$1,503,379.61*

*FY 04: \$1,753,600.75*

*Increase in service and equipment costs from FY 03 to FY 04:  
\$250,221.14*

inventory shows.

<b>Cellular Phones: Audit Department Records Review</b>	<b># of Phones</b>	<b>Value of Phones</b>	<b>Per Unit Cost</b>
<b>FY 2002</b>	4,455	\$528,272.62	\$118.58
<b>FY 2003</b>	4,389	\$517,669.16	\$117.94
<b>FY 2004</b>	4,824	\$518,981.54	\$107.58

Total self-reported agency and university service costs for these phones were reported to be \$2,131,403.79 in the last fiscal year (FY 04). Prior year cell phone contract or service expenses are unavailable for state universities, but SAAS information for state agencies shows total costs have increased to \$1,234,619.21 (FY 04) from \$985,710.45 in FY 03.

However, changes made by MDITS in the last several years have resulted in significant cost

reductions in plans being offered to the state. If agencies and universities are diligent about checking the EPL, negotiating with vendors to get the best rates, and making sure the plans meet their needs; they can lower their cost of cell phone use.

many of our agencies and universities implementation of good internal controls are all examples of the State's effectiveness in managing these resources. However, there are numerous ways Mississippi can benefit from the changes being implemented in other states, as well.

Cell Phone Cost Reductions	FY02	FY03	FY04	FY05
Available Calling Plans	120+	50	43	33
Cellular Phones Types	40	26	29	34
Highest Cost Per Plan Minute	\$1.00	\$.13	\$.13	\$.12
Average Cost Per Plan Minute	\$.14	\$.09	\$.07	\$.06

This report addresses a number of recommended policy and procedure issues that can equate to cost savings. In looking at good practices and what issues are being raised in other states, the Auditor's office has identified ways that agencies and universities can improve their cell phone management and lower costs.

This report discusses three ways the state can more efficiently use cell phones. Well-negotiated vendor contracts, prudent use of phones by state employees, and most importantly, diligent internal management are all keys to keeping cellular telephone use cost effective. Few people, if any, dispute that cell phones are a tremendously useful tool in government's attempt to be more productive with fewer dollars. However, without proper management, cell phones can be costly and inefficient.

**Improving and increasing cell phone management practices will lead to the most savings. Continued competitive EPLs will help keep costs down, as will proper reporting and use of cellular telephones by state government employees.**

*"Few people, if any, dispute that cell phones are a tremendously useful tool in state government's attempt to be more productive with fewer dollars. However, without proper management, cell phones can be costly and inefficient."*  
*-Phil Bryant*

**Requiring agencies and universities to develop, implement and enforce an Acceptable Use Policy for cell phones; requiring them to follow state law in purchasing phones and service contracts; as well as implementing the numerous other recommendations in this report will help achieve the best value for the taxpayer dollar.**

A review of the Mississippi Department of Transportation's (MDOT) cell phone policies and procedures revealed good management techniques that all state agencies issuing cell phones should emulate. Their management allows them to have as many as three times more phones being used as other agencies yet with only half the cost.

*The Office of the State Auditor would like to sincerely thank MDITS, MDOT, and Cingular for their assistance, their candor in discussion, and their willingness to share insights and information about cellular telephone use and management.*

Mississippi is not alone in its concerns about the cost of cell phones. A number of other states are addressing the issue in various ways. Summaries of studies in Georgia, Missouri, Wisconsin, Rhode Island, Florida, and Pennsylvania are in this report. Other states' experiences show that Mississippi is ahead in the cell phone arena in many ways. The Mississippi Department of Information Technology Services' (MDITS) diligent efforts to get the best products and services on the EPL, the legislature's decision to have the auditor look at cell phone usage, and

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## Survey Results

In June, OSA's Property Division sent surveys to all state agencies and universities requesting the following information for each cell phone used by the agency in FY 2004 (Year ending June 30, 2004):

- Each cell phone's inventory number
- Who each cell phone was assigned to and their job title
- The cost/value of each cell phone
- The type of cell phone
- The annual cost of service
- The number of months of service
- The name of the service provider/carrier
- Each cell phone's rate plan
- The justification for the use of each cell phone

The original deadline to return the survey was August 1, 2004. As a follow-up and to get additional clarification and information, the Audit Department sent out another memo in September 2004. At the time of this report's completion, OSA was still receiving changes and new information from state agencies and universities. Below is a summary of the survey results for the number and value of cell phones as of June 30, 2004:

- ❖ 86 state entities reported having a total of 3,243 cellular telephones with a total value of \$320,491.94;
- ❖ 15 Institution of Higher Learning (IHL) entities and sub-entities reported having 1,821 cell phones worth \$126,263.86;
- ❖ Combined totals reported by entities were 5,064 cellular phones worth \$446,755.80.

Auditor information reviewed at the same time showed some discrepancies in the reports sent in by agencies, which prompted the follow-up letter in September. These differences may be due to a failure to place phones on inventory properly, incorrect object code assignments, or just timing issues. There is some indication that multiple and sometimes incorrect object codes are used by agencies for cellular telephone expenses, so exact comparisons are difficult. Below is information gathered by OSA to use as a comparison to survey responses:

- State entities had 3,244 cellular telephones with a value of \$328,198.55
- IHL entities/sub-entities recorded 1,580 cellular telephones on state inventory with a value of \$190,782.99
- Combined totals researched by OSA showed 4,824 phones worth \$518,981.54—a difference of 240 fewer phones (not on state inventory) worth \$72,225.74 more.

The following table shows the difference in the Audit Department property records and data reported by agencies and universities from their survey:

<b>FY 04 Data</b>	<b># of Phones: All Agencies</b>	<b>Phone Value: All Agencies</b>	<b># of Phones: All Universities</b>	<b>Phone Value: All Universities</b>
<b>Survey Data</b>	3,243	\$320,491.94	1,821	\$126,263.86
<b>Audit Dept. Data</b>	3,244	\$328,198.55	1,580	\$190,782.99

In their surveys, agencies and universities reported a total of \$2,131,403.79 in service/contract related expenses in the last fiscal year (FY 04). However, in the timeframe of this report, OSA is currently unable to make definitive cost comparisons for expenses related to service at the universities because unlike state agencies, they do not enter expenditures into the Department of Finance and Administration's accounting package, SAAS.

2004 was the first year agencies and universities were required to submit data to the State Auditor, so a cost comparison from FY 04 to previous fiscal years is limited. For example, no cell phone service expenses are available from universities for fiscal years prior to FY 04 because they do not use the same accounting package as state agencies and they were not required to report those expenses until this year. Also, object codes for cell phone use have changed from FY 03 to FY 04. Incorrect object code entries can skew the data.

The State Auditor has determined that state agencies and universities operated a total of 4,455 cell phones in FY 02, 4,389 cell phones in FY 03, compared to a total of 4,824 phones in FY 04. The value of those units was \$528,272.62 (FY 02), \$517,669.16 (FY 03) and \$518,981.54 (FY 04). Also, OSA has collected data showing that cellular telephone service expenses (excluding universities which did not previously report this information) were \$985,710.45 in FY 03 and \$1,234,619.21 in FY 04, with an increase of \$248,908.76. This shows that *although there are more phones in service and total agency/university expenditures were greater, cost saving measures (such as MDITS Express Products List) have reduced the per unit cost on phones.* Below is a chart showing number of phones by fiscal year and their values gathered from OSA property inventory and SAAS reports:

<b>Cellular Phones: Audit Department Records Review</b>	<b>Number of Phones</b>	<b>Value of Phones</b>	<b>Per Unit Cost</b>
<b>FY 2002</b>	4,455	\$528,272.62	\$118.58
<b>FY 2003</b>	4,389	\$517,669.16	\$117.94
<b>FY 2004</b>	4,824	\$518,981.54	\$107.58

In addition to information from the surveys and the state accounting system, the Department of Information Technology Services requires all vendors who want to bid for the cell phone Express Products List (EPL) to submit a vendor marketing report showing government cell phone contracts from the last fiscal year. The latest report (July 2004) shows state agencies had 45.51% of all government cellular phones and services (\$1,311,360.00) in FY 04 and IHL had a 5.56% share of equipment and services (\$160,184.13). These numbers primarily show phones and services purchased from an EPL in FY 04 and do not necessarily account for 100% of all government cell phone purchases. As shown by the numbers above, these marketing reports, which are self-reported by EPL vendors, are not an accurate reflection total cell phone expenses of state agencies and universities.



Several reasons for differences in the numbers and amounts reported by state agencies and universities versus other available information may include:

1. failure to purchase from the State EPL or go through MDITS for off-EPL purchases, as required by law.
2. the failure of some agencies and universities to put “donated” or “free” cell phones on state property inventory. The Auditor’s office has sent out reminders on several occasions (Most notably October 2001 and September 2004). DFA and MDITS have also sent out reminders over the last several years and the requirement is printed in the cell phone EPL. State law mandates that all property be reported.
3. the timing of the survey and the available information when the survey response was being prepared (the last bills of the fiscal year may not have been paid yet).
4. the incorrect use of certain object codes in SAAS or other accounting programs. In June 2003, MDITS sought and received approval from DFA to change the definitions of certain object codes specifically related to cellular telephones. The changes went into effect July 1, 2003 (FY 2004) and some of them may not have been changed correctly.

In the last three fiscal years, MDITS has implemented a number of changes designed to improve procurement. At the beginning of FY 05, there are 5 EPL vendors and MDITS only allows primary providers to be on the EPL. They have reduced the number of plans from more than 120 to 33 plans encompassing the needs of a wide variety of agencies and areas. MDITS has reduced the number of different types of cell phones from 40 to 34. In FY 02, the highest cost per plan minute was \$1.00. That has been reduced to \$0.12. The average cost per plan minute has also been reduced over the last three years down from \$0.14 to \$0.06. For logistical and competitive pricing reasons MDITS has determined that multiple vendors are better than a single vendor and they have managed to secure pricing at or below neighboring states that have single vendor contracts. The following chart summarizes these cost reductions.

<b>Cell Phone Cost Reductions</b>	<b>FY 02</b>	<b>FY03</b>	<b>FY04</b>	<b>FY05</b>
Calling Plans	120+	50	43	33
Cellular Phones Types	40	26	29	34
Highest Cost Per Plan Minute	\$1.00	\$.13	\$.13	\$.12
Average Cost Per Plan Minute	\$.14	\$.09	\$.07	\$.06

## Three Areas of Cell Phone Savings

### *Contracts and Procurements*

The Mississippi Department of Information Technology Services has made a number of changes to cell phone RFP requirements in recent years. They are careful in their selection of vendors and plans that end up on the Express Products List. They have chosen to reduce the number of vendors, but to keep the EPL a multi-vendor contract. Logistically, if they went with one vendor each year, there would be a potential need to switch over 5,000 phones in a year where the vendor changed. Vendors believe this option would provide them with less incentive to be competitive, unless the single source contract was for multiple years. Unfortunately, with multi-year contracts, the state might not be able to benefit from the rapid cost decreases associated with this type of technology.

The marketing reports required of vendors selected to be on the EPL are an important tool for tracking and managing cell phone use, needs, costs, etc. at the state level. It helps MDITS to prepare for each successive round of Express Products Lists. Another important tool in this area is within each agency. Internal monitoring of needs, call volume, current plans and available plans can reduce waste.

The Mississippi Department of Transportation constantly monitors its employee needs, what plans are available, and plan costs to make sure it has both the best fit and the best prices. They switch to different plans as their needs dictate and as those plans become available. MDOT also uses “standard” phones as another cost saving measure. It is easier to keep track of them (all the same phones) and they are less expensive (usually listed at no cost as part of the EPL contract).

State agencies need to be diligent about the EPL. It changes every six months, but it also has flexibility within it. MDITS encourages all governmental entities to contact more than one vendor when making decisions. Section 2 of the EPL instructs agencies about the process and their responsibilities of ordering:

2.1 *Step 1: Contact the Vendor(s)*

ITS encourages you to work with more than one vendor as you make your decisions. The vendors are listed in the Vendor Information list in Chapter 8.

2.2 *Step 2: Negotiate/Evaluate*

2.2.1 Review the specifications from the Request for Proposal, which are incorporated into Chapter One of this EPL. ITS evaluates product offerings to make sure they meet specifications. EPL Customers must still do their own evaluation to support that they are choosing the products and vendors that meet their “lowest and best” criteria.

2.2.2 ITS has only done “Step 1” of the evaluation in compiling this list. It is your responsibility to evaluate and choose the products that best meet your needs.

2.2.3 Decide the feasibility of a vendor by determining which vendors can best provide you with the necessary products and services.

- 2.2.4 It is extremely important that you maintain all of the documentation that supports the selection of a vendor, for any given procurement, for audit purposes.
- 2.3 *Step 3: Verify Pricing and Availability*
  - 2.3.1 Shipping costs are included as part of the product purchase price.
  - 2.3.2 *Remember EPL prices are **not-to-exceed** proposals that may be lowered, but not raised. As manufacturer prices decrease, you should check with the EPL vendors before ordering for price changes, quantity discounts, and availability.*
  - 2.3.3 It is the responsibility of every customer using the Cellular EPL to maintain proper records to reflect that all procurements from the EPL are made in accordance with ITS policies and procedures. The purchase order must match the EPL product numbers and descriptions unless there has been a substitution made in accordance with the published EPL guidelines. *The purchase order price may be lower than, but may not exceed the published EPL pricing.* Proper records would include written notes of the customer justification for making a desired vendor/product selection. In the case of a substitution, this documentation would include formal written explanation from the vendor regarding the manner in which the substitution complied with the corresponding EPL guidelines. The substitution policy is described in Chapter One.
- 2.4 *Step 4: Verify Requirements Needed for Your Purchase*
  - 2.4.1 Be sure to describe your existing cellular equipment to the vendor and verify that it will be compatible with the equipment (or service) you are wanting to purchase.
  - 2.4.2 Should your purchase be large or involve special terms, you may wish to negotiate a separate contract with the vendor at the time of purchase to address any additional concerns.

Agency and university purchasing personnel could benefit from additional training and instruction about cell phone procurement and EPL options, opportunities and requirements. Much of this training could easily take place at a MAGPPA (Mississippi Association of Government Purchasing and Property Agents) conference. The State Auditor and Information Technology Services should continue to remind agencies and universities of property inventory reporting.

### *Management*

Better internal agency management is where the greatest cell phone related savings can occur. It is also where real accountability can be realized. The Mississippi Department of Transportation (MDOT) has excelled in the area of cell phone management and its process can be used as a model for other state agencies and universities.

One key decision is how many people will manage cell phone use in an agency. Having a single person to manage all aspects of the cell phone process from procurements to issuance, to paying the bills is optimum. However, most agencies cannot hire a dedicated cell phone manager, so even if the job were broken up over three existing positions a more effective system could be

created. These three areas include someone who can manage the master list of phones and can be the vendor liaison; a billing manager; and someone functioning as the logistics monitor and who is also responsible for checking out phones, equipment, etc.

Monitoring and auditing bills every month, and having the employees verify them to certify their accuracy are important keys to good management. This allows an agency to catch billing errors, credits due, excessive personal calling, bleed over (where border areas actually bounce to an out of area tower), incorrect roaming charges, etc. This alone may save agencies thousands of dollars. Paying bills within the time allotted by the vendor is a necessity. It prevents agencies from paying wasteful late penalties.

Good management is more than verifying and paying bills, it also includes reviewing needs based on usage, location, plan options, and costs. Agencies should look into the use of pooled phones and minutes as a way to share phones and minutes with those who do not need phones twenty-four hours a day. When reviewing plans and renegotiating contracts within the EPL, agencies should request detailed billing. It is a good management tool. Additionally, vendors should provide electronic billing along with paper bills so that information/data can be loaded on computers for tracking purposes.

Typical items that may be negotiated or provided at no extra charge as part of the service contract, depending on the vendor:

- Detailed billing (to monitor both incoming and outgoing calls)
- Mobile-to-mobile calling (generally limited to same vendor)
- Incoming calls
- In-state long distance calls
- Out-of-state long distance calls
- Roaming (there would be no roaming charges)
- Accessories (items such as belt clips especially, chargers, etc.)
- Text messaging (getting clear, specific answers to questions while in the field)
- Nights and weekends (useful for employees who are on-call 24 hours/day)
- Rollover minutes

Good, reliable, standardized cell phone recordkeeping is also a necessity for a good management plan. Universities and state agencies must be diligent about accurate recordkeeping, especially recording cell phones as state property. The annual submission of information to the Office of the State Auditor will be easier to complete with accurate, detailed records.

Having employees verify their bills, reimburse for personal calls, and keeping track of excessive personal use are all important to good management of cell phones. Also, monitoring phones for inactivity is important. Agencies can end up paying for phones that are lost, broken, or simply underutilized if those in charge of managing and monitoring are not aware of individual phone usage. Decisions to disconnect or reissue unused or underutilized phones need to be made periodically. Ultimately, more money may be lost through poor management than through excessive usage. Further, excessive usage can be controlled through strong management practices and management is where the real savings can be found.

### *Individual Cell Phone Use*

Employees should be aware of an agency's (or university's) cell phone policies and procedures and the consequences of policy violations. There is probably not as much intentional misuse of cell phones as might be expected. Rather it is often a lack of understanding on the employee's part. For example, if a cell phone plan has "free" nights and weekends, an employee may see no harm in making a call at midnight. Nights & weekends and other "free" call time issues need to be addressed in agency policy. Expectations, rules, and policies need to be explained to employees before they are issued phones. Agencies should require employees to sign a certification of understanding about the policy at least once a year to remind them of their responsibilities and to make sure they are aware of any policy changes that may affect them.

Agencies should have firm written policies about the use of phones that at a minimum are no less stringent than MDITS has posted as an agency use policy. While there are no laws or authorities that require agencies to have a policy in place, it is not only a good management tool it also helps the employee make decisions about whether or not to use the cell phone for certain calls. Employees should always be required to reimburse the agency for personal calls made on a government-owned cellular telephone. However, OSA recommends that agency policies discourage or prohibit personal calls.

## **Findings and Recommendations**

### **Finding**

State agencies and universities are still not uniformly placing cellular telephones on property inventory as required by §29-9-11, Mississippi Code of 1972, Annotated; therefore it is difficult to determine the total number of active cell phones being paid for by the state.

### **Recommendation**

Agencies and universities should be required to accurately report cell phone inventory and should submit this information on an annual basis to the Office of the State Auditor.

### **Finding**

Under §25-53-3 et seq. and §25-53-101 et seq., Mississippi Code of 1972, Annotated, the Mississippi Department of Information Technology Services (MDITS) governs state agencies' and universities' purchase of cellular telephones and service contracts. MDITS requires all state agencies and universities to purchase cell phones and service contracts using the Express Products List (EPL) or for exceptions to use their "E-Approve" process. State agencies and universities are still failing to follow these MDITS procurement requirements.

### **Recommendation**

Agencies and universities should be required to adhere to State law—and MDITS requirements—when procuring cell phone equipment and service contracts.

### **Finding**

Not all state agencies and universities enforce written policies and procedures for cell phone use, nor do they have staff adequately trained to manage those policies and procedures.

### **Recommendations**

OSA recommends that all agencies and universities implement and enforce internal controls and management plans to achieve the lowest costs and best plans for their agencies.

Agencies and universities should be required to develop and enforce written use policies and procedures that are no less stringent than the MDITS employee use policy.

Designated personnel should receive appropriate training and support to carry out their functions.

All employees who are issued cell phones should sign a certification statement that states they understand and agree to the use policy.

OSA recommends that agency policies discourage or prohibit personal calls. However, if personal calls are allowed, OSA recommends that these calls be reimbursed to the entity.

### **Finding**

Agencies and universities may not be using the correct object codes to account for their cell phones. The use of incorrect codes prevents the accurate representation of cell phone costs by agencies and universities.

### **Recommendation**

MDITS or DFA should provide training to appropriate agency procurement personnel about the proper billing codes to use for cell phone use, equipment and maintenance.

### **Finding**

Agencies and universities do not have uniform policies that prohibit or discourage personal use of cell phones.

### **Recommendations**

All agencies and universities should provide clear cell phone use policies that discourage or prohibit personal calls, except in the case of an emergency.

Agencies should investigate ways to minimize excessive calls, personal calls, and unnecessary long distance calls.

### **Finding**

There have been no determinations about why some agencies and universities pay more for fewer phones than some other agencies pay for a far greater number of phones.

### **Recommendation**

The Agency Audit Division, in conjunction with the Performance Audit Division, should perform limited reviews of cell phone bills, policies, and enforcement throughout the year as compliance audits are being completed.

### **Finding**

Technologies that combine multiple uses such as cell phone/two-way radios/pagers/PDA are not part of the cellular EPL, nor are they accounted for in the billing object codes in SAAS. MDITS currently produces separate EPLs for cellular, pagers, and two-way radios.

### **Recommendation**

MDITS should examine these interrelated technologies and make any appropriate changes to the EPLs and other policies. Agencies and universities should be required to code them appropriately for accounting purposes and use object codes that represent their primary use.

## **Policies, Procedures & Management**

### *Agency/University Requirements*

State agencies and universities are required to follow certain guidelines for the procurement and reporting of cellular telephone services. For cellular service plans, agencies and universities have no delegation. They may only purchase cellular telephone services from the MDITS Express Products List (EPL) or use the MDITS "E-Approve" process to purchase outside of the EPL. The E-Approve process requires an agency to submit an electronic request to [eapprove@its.state.ms.us](mailto:eapprove@its.state.ms.us) with specifics (vendor, quantity, and cost) and a justification/need for buying outside an EPL. MDITS reviews and files the information, then e-mails a CP-1 approval for the agency's purchase file. They do have delegated authority to purchase equipment, including cellular telephones. All of this is governed by certain dollar limits. Total purchases of cellular services and equipment from the cellular EPL may not exceed \$100,000/year/agency without approval from MDITS.

In its EPL, MDITS requires that agencies and universities maintain specific records:

*2.2.4 It is extremely important that you maintain all of the documentation that supports the selection of a vendor, for any given procurement, for audit purposes.*

### **13. What Goes in Your Purchase/Audit File**

*At a minimum include:*

*13.1 A copy of the EPL page showing each product being purchased.*

*13.2 Alternatively or in addition to the above, a copy of the product information from the ITS Website's "EPL Interactive" for each product being purchased. Be sure you have the EPL Reference Number for each item, cost, and product details, as well as vendor information.*

*13.3 A written explanation from the vendor for any purchase involving a substitution. The vendor must provide you with a formal written explanation regarding the manner in which the substitution complied with the EPL substitution guidelines as detailed in Chapter One, Section 1.*

*13.4 Any additional project-related documentation or justification. (See Step 2 in Section 2 of this EPL cover memo.)*

*13.5 For a contract extension, a copy of the vendor's analysis and plan recommendation as described in Chapter One, Section 7.2.*

Under §29-9-11, Mississippi Code of 1972, Annotated, agencies and universities are required to add cellular telephones to inventory, regardless of whether they were paid for or if they were free or donated. Vendors supplying service can provide the value of the phone for inventory purposes. The Auditor's office and MDITS (through its EPL) remind agencies and universities of this requirement periodically, but there are still entities that have failed to report their phones properly.

In 2003, DFA approved revisions to accounting object codes. State agencies are required to use specific object codes for cellular telephone service (61939), for cellular telephone equipment (63435), and for maintenance (61962). Problems and/or confusion using these codes still exists,



which may be one reason OSA survey responses did not always match SAAS data. In addition, there needs to be clarification of how to code “multi-use” equipment. New technology has created cell phones that can function as pagers and two-way radios. OSA recommends that these devices be coded based on their actual primary use. Currently, no policy exists to address this issue or the issue of emerging technologies such as Blackberries capable of transmitting data and being used as a cell phone.

While there is still no legislation mandating one, the 2001 PEER report and MDITS have strongly recommended that each state agency and university develop, implement, and enforce a Cellular Acceptable Use policy that is no less stringent than the one used by MDITS. Their policy is available online at <http://www.its.state.ms.us/its/itsweb.nsf/Policies>. MDITS provides a Cellular Checklist to assist agencies in determining the needs of its employees, which is also on their website at <http://www.its.state.ms.us/eplfiles/cellular/cellularchecklist.pdf>. There is no compiled data showing which agencies do or do not have policies and internal controls in place at this time, nor has there been any evaluation of policies, procedures and their effectiveness. OSA recommends that the legislature assign oversight authority to an appropriate agency and require each agency to submit a formal cell phone use policy and a management plan.

#### *A Case of Good Management: MDOT*

The Mississippi Department of Transportation (MDOT) has been shown to have one of the most well-controlled cell phone management and use plan of any state agency or university. Staff interviewed for this report said that the decision was made when MDOT began using cell phones that it would have to be well managed and closely monitored to be cost effective.

Today, MDOT employees—many of whom are on call 24 hours/day—use 683 cell phones to communicate while on the job. Every single bill is scrutinized each month for errors, over billing, excessive calls, utilization rates, credits, bleed-over (occurs when a cell phone is frequently bounced to an out of area tower even though the user is inside a covered area) etc. All of this and the rest of MDOT’s management process can be attributed to the decisions made when the agency first began using cell phones. Unfortunately, the original vendor pricing—which in some ways, still can’t be beat—was a one-time deal negotiated with the vendor using MDITS’ Express Products List.

MDOT does not have a large staff dedicated to cell phone management. Instead they have an MDOT cell phone coordinator and one employee who has been moved into the position and who has assistance from several others. For this to work they have a formalized system with very clear procedures which everyone in the agency must follow. Before an employee is issued a phone, a request by a division head/district engineer must be submitted to upper level management for approval. It has to have the employee’s name, job description, and a justification of cell phone need. If approved, the request is sent to Support Services and the employee can be issued a single cell phone.

The employee’s cellular plan is determined by their primary location within the state. Most MDOT employees do not travel outside of the state and their calling plans reflect that. If an employee only needs a phone occasionally, they may be issued a phone from a pool designed for

temporary use. MDOT has found this to be a cost saving option. With a pool of minutes and multiple phones within that pool, employees can use minutes based upon assigned work tasks, which can differ from month to month.

Each employee must certify their understanding of the MDOT cell phone use policies and procedures in writing before being issued their phones. In addition to the cell phone management staff, each employee has the responsibility of reviewing and certifying their phone bill each month. Should the bill show excessive use or other similar issues, MDOT provides the name of the employee, the number of excessive minutes or other problem, and requests an explanation from the employee's supervisor.

Some of the techniques MDOT uses to minimize cell phone costs and manage their use of cell phones include the following:

- Review each cell phone line (number) in each bill, every month;
- Require detailed billing;
- Review rate plans on a regular basis and make changes when necessary;
- Audit line items for errors, credits due, incorrect billing for roaming (on no-roaming phones), bleed over, etc. before sending payment—They don't "just pay the bill;"
- MDOT has created forms to use to provide vendors with specific information regarding credits, changes, etc. to achieve a "clean" bill each month;
- Analyze data from statements to identify trends in use or plans that may cost MDOT more, then review ways to reduce costs;
- Use standard type of phone that has no cost as listed on the EPL;
- Request standard accessories (car charger and belt clip) with phones;
- Develop good working relationship with the vendors;
- Highly discourage personal use of cell phones, except in cases of emergencies;
- Be diligent about the costs of cell phones as well as the needs of the employees and other applications of cellular technology.

MDOT manages 683 phones at an annual cost that is less than some other agencies and universities spend on half or fewer phones. OSA recommends that all agencies and universities implement internal controls and management plans to achieve the lowest costs and best plans for their agencies.

## Other States' Activities

Cellular telephones are a tremendous tool and resource for employees whose job takes them away from a traditional office setting. In today's changing world where efficiency is prized, cell phones have changed the speed at which state government can do business. Public safety, emergency personnel, transportation departments, and many others can accomplish more tasks faster since cell phones became widely available. However, cost considerations and concerns about misuse have states looking at ways to control cell phones and keep them as a useful tool without paying a high price.

At least three states have undertaken comprehensive studies of the use of cell phones by state employees. Still other states have attacked the problem in limited ways, focusing on one or more agencies or problem areas at a time. Most recently, in the summer of 2003, Maryland finished a performance review of state cell phone use at about the same time that Georgia released its own findings. Earlier, in 2001, Missouri published a performance review of cell phone management practices. Florida, Rhode Island, Wisconsin, and Pennsylvania are also among the states taking a closer look at state employee cell phone use. Most of the findings and recommendations focus around agency management and internal control issues.

### *Maryland*

In 2003, Maryland identified almost \$500,000 in potential annual savings through effective monitoring and stricter policy enforcement within agencies. Their performance audit to determine the adequacy of statewide (through their Department of Budget and Management--DBM) and agency oversight of cell phone purchasing and use resulted in a recommendation for extensive reform. Several issues raised in their report are repeated through many other states' reports. Centralized oversight by DBM was so lacking that neither DBM nor the State's 4 vendors could accurately determine the number of phones assigned to state employees and the associated costs. They did determine that there were at least 6,788 phones at a cost of \$5.3 million in use during FY 02.

Maryland allowed more than 100 active cell phone plans with very little cost difference than is offered to the public. DBM failed to inform agencies of changes in cell phone plans that could have saved money. The report found that the State could have saved almost \$200,000 just by switching users to better plans and they paid \$131,000 in roaming costs that could have been eliminated through better oversight. The report recommended that DBM should monitor the assignment of phones as well. The report also identified a need for internal controls and management oversight within agencies. In just five agencies, auditors found 600 active phones that were not used once during the entire fiscal year at a cost of \$35,000. High volume users, excessive users, and inadequate agency monitoring of cell phone usage cost the state hundreds of thousands of dollars. State agencies did not generally require the reimbursement of personal calls either.

### ***Georgia***

One year after a statewide review of state government cell phone use, Georgia still doesn't have an accurate accounting of how much it spends on phones, cell phones, pagers, two-way radios, and Blackberries. At the time the audit was done in 2003, agencies did not purchase under statewide contracts and therefore didn't have much pricing or plan leveraging of bulk discounts. Further, agencies did not have written policies and guidelines and were lax about usage.

### ***Missouri***

The 2001 Missouri audit report showed that one division of one agency had 47 phones that had been used for less than 6 months, with 29 of those phones having been used for less than 3 months and a total cost to the state of \$8,877. Agency personnel did not know who had phones, potential billing errors were not questioned, delinquent phone bills were not paid, and charges such as office supplies were miscoded as cell phone expenses. The latter cost the state \$22,000. Use policies in state agencies were poor or non-existent and enforcement was lax. Personal phone calls weren't always reimbursed. Some agencies lacked guidance and training to manage telephone use. Again, as in other states, Missouri is looking for reforms to their system to save money, increase accountability and strengthen the efficiency of using cell phones.

### ***Wisconsin***

The Wisconsin Department of Administration plans to implement a computer tracking system to follow the 10,000 state cell phones. The new system is designed to decrease fraud and abuse. They will be issuing a new statewide cell phone use policy also that will supersede individual agency ones. These changes come in the wake of announcements about the Auditor's Office reviewing cell phones.

### ***Rhode Island***

The governor has called for an audit of cell phone use. He recalled all state issued cell phones in the executive branch of government pending the comprehensive review. This comes as a result of having no formal policies for cell phone issuance, centralized billing, or reimbursement system. The governor plans to prohibit personal calls from state-owned cell phones.

### ***Florida***

While they have not undertaken a comprehensive review of agency cell phone use, during their operational audits the Florida State Auditor has cited agencies for misuse and unaccounted for use. The audit found that the problems were not extreme and some of the waste was attributed to agency management. Cell phones were found to have been "left on the shelf" for more than six months at a time with no action to terminate service on the part of management. Some phones were found to have very high levels of regular and free minutes, yet employees who were issued

these phones averaged only 43 minutes a month. The opposite problem was also found with employees running hundreds of minutes over their basic plan features and accruing high phone bills. Auditors found invoices totaling almost 10,000 non-itemized minutes.

Average personal use was 9%, but reimbursement for personal calls was found to be around 3%. These agencies did have policies requiring employees and supervisors to go over invoices and certify that charges are proper. In response to the audits, rules and procedures have been tightened requiring a monthly certification letter signed by the employee saying they have properly reviewed their bills and reimbursed the state for personal calls.

### ***Pennsylvania***

The Governor of Pennsylvania hopes to save more than \$1 million from the state's cell phone bill covering more than 5,000 cell phones. Most of his ideas involve better agency management and better state contract arrangements with more competitive rates.

All of these examples serve to illustrate the concerns, issues, and problems faced by other states. Furthermore, they show that Mississippi is actually ahead of the curve in many ways and lacking in other areas. Mississippi has a very strong, competitive centralized contracting process under the MDITS Express Products List. A number of Mississippi's state agencies and universities have very good use policies that are being used correctly. MDITS has created a very useful Needs Assessment list for agencies to make decisions about plans, employee needs, etc. In addition, MDITS requires vendors—and has since before the PEER report was issued in 2001—to provide them with summaries of government purchases and contracts and all cellular contracts must go through MDITS.

However, where other states are beginning to require a higher level of internal agency control and accountability, Mississippi only suggests that each agency has a use policy in place. State law does not currently mandate agencies and universities to have and enforce a cell phone use policy nor is there any specific management training for agency cell phone administrators. Most agencies and universities do have something in place and many, like MDITS and MDOT, take them seriously and review policies, procedures, and invoices on a regular basis. There is also no state law or mandate that cell phone use be audited in any way, however, many agencies do internally track cell phone usage monthly through bills.

*Ultimately, these examples also illustrate the three main areas for savings: Procurement and contracts, agency management, and usage. Today, Mississippi has some of the best cellular phone contracts available to state governments. MDITS works to keep these prices competitive through its Express Products List. While Mississippi will be unlikely to save much on its state contracts, better agency management will likely yield the greatest savings for the State.*

## Conclusion

This report was limited to examining survey results from agencies and universities about their cell phone inventory and use expenses and discussion of general good management practices. It was not in the scope of this report to audit cell phone bills, policies, or use by state agencies so no determination was made in this report about any agencies or universities performing above or below standard with regard to their cell phone management. However, in looking at good practices and what issues are being raised in other states, the Auditor's office has identified ways that agencies and universities can improve their cell phone management and lower costs.

While community colleges, K-12 schools, and local governments (cities and counties) were not reviewed as part of this report, nationwide evidence suggests they face the same problems identified in state government. They should utilize the same tools and techniques discussed here to maximize savings, while still providing for the needs of employees.

Savings in the state government use of cell phones will come with better management of bills and usage within agencies. Having and enforcing good policies; being diligent in finding errors, excessive calls, etc.; and requiring call certification, call logs, and other internal control features will help the state save money and be more efficient. Good management will optimize the cost savings of the state-negotiated cell phone contracts. Good management will also decrease employee abuse of cell phones. Good management practices in state agencies will reduce costs by spotting and fixing problems instead of overlooking and paying for them. Finally, good management practices will yield undeniable accountability for state agencies

## **Appendix A: Purpose, Scope, and Methodology**

### *Purpose*

This report has been prepared at the request of the Mississippi Legislature, as written in HB 1279, 2004 Regular Session. The Mississippi Office of the State Auditor's Property Audit Division and the Performance Audit Division surveyed state agencies to review state expenditures for cellular telephone equipment and expenses and researched relevant issues. The further purpose of this report is to make recommendations for better management techniques that can reduce agency costs and increase efficiency and accountability of state use of cellular telephones.

### *Scope*

The scope of this report is limited to state agency and university cellular telephone ownership and use, information from other states, and management strategies to improve the cost effectiveness and accountability of cell phone use by state employees and agencies. The use of cellular telephones by the K-12 school system, the community college system, or any local governments is outside the scope of this report. Primary information gathered by survey and interview was limited to property and expenses related to use of cell phones. Individual agency reviews of policies and procedures and "spot checks" of cellular telephone management was also outside the timeframe and scope of this report. Preparation of this report does include aggregate costs reported by agencies and universities as well as the vendor profiles required by the Mississippi Department of Information Technology Services (MDITS). This report also contains a review of recommended management policies and procedures for cellular telephones as well as a review of audit reports and related information from other states.

### *Methodology*

The Property Division of the Office of the State Auditor surveyed state agencies and universities to gather information about the number of cellular telephones owned and the costs associated with those phones on an annual basis and compared it to certain SAAS object codes. The Performance Audit Division of the Office of the State Auditor reviewed those survey results; relevant state laws and regulations; MDITS policies, regulations, and Request for Proposals (RFP) for the Express Products List (EPL); information from other states; other relevant reports; and interviewed several agency and vender contacts.

## **Appendix B: Background**

For several years, Legislators have expressed concern about costs associated with the increasing use of cellular telephones by state employees and the management of their procurement and use by state agencies. In a 2001 PEER report, recommendations were made for MDITS to develop general usage policies and needs assessment guidelines. Other recommendations from this report included changes to MDITS' EPL process to limit the number of plans available and changes to object codes in SAAS for clarification purposes.

Even as many practices have changed, cellular phone usage by state employees continues to be scrutinized. During the 2004 regular session, the Legislature passed HB 1279. Section 5 of this bill states:

*(1) Not later than September 1, 2004, each agency, department and institution of the State of Mississippi shall submit a report to the Chairmen of the House and Senate Appropriations Committees and the State Auditor on the usage of cellular telephones by the agency, department or institution during fiscal year 2004. The report shall include the number and types of cellular telephones, the annual cost of using those telephones, a listing of the positions using those telephones, and a separate justification for using each of those telephones.*

*(2) The Department of Audit shall review and determine the accuracy of the reports on the usage of cellular telephones during fiscal year 2004 that are submitted by state agencies, departments and institutions as required by subsection (1) of this section.*

This report was undertaken as a follow-up of this legislative mandate.