



MEMO

OFFICE OF THE INTERNAL AUDITOR

OFFICE OF THE PURCHASING AGENT

To: All County Council Members and Executive Pollitt
From: Steve Roser, Rick Konrad
Date: August 8, 2014
Re: Scheduled Follow-up for the Cell Phone Audit

Auditor Comment

Message:

The Office of the Internal Auditor (IA) performed scheduled follow-up on the Cell Phone Audit (report dated February 16, 2014). IA tested a non-random sample of fourteen department level Verizon billings for June 2014. Four open findings remained:

Equipment Charges

Average monthly equipment charges for the original audit test period (October to December 2013) were \$639.45. Equipment charges for June 2014 among the fourteen departments tested were \$579.90. Most individual equipment charges range from \$99 to \$299. Purchasing maintains an inventory of used cell phones it tries to distribute to new users with (according to Purchasing) marginal success. Additionally, according to Purchasing, Verizon will replace (free of charge) any cell phone on the county system annually. IA recommends a management evaluation of the \$500 - \$600 per month the county spends on new equipment for legitimacy. We suggest that employees who desire equipment outside the plan should not bill the county for the equipment without establishing a legitimate need. Purchasing could potentially supervise the arrangements.

Usage Charges

Usage charges contained the billing tested seemed vastly reduced. Usage charges for the current test were only \$26.17 in the aggregate. Some usage charges, when combined with a limited monthly access plan, totaled lower than the fee for a standard access plan (\$48.07). IA therefore withdraws the finding. We recommend, however, that Purchasing continue to monitor for usage charges. *(Continued)*

Outliers

We defined outliers as monthly access fees in excess of \$60. IA discovered only four outliers in the current test and forwarded the numbers to Purchasing for evaluation.

Taxes Paid

Verizon charged taxes on one single phone line for the current test period. Purchasing is aware of the charge and they are working to remove it. Tax charges no longer seem to be a problem and we therefore withdraw the finding. As with usage charges, we recommend that Purchasing continue to monitor billing for tax charges.

We plan to schedule another follow-up for the Cell Phone Audit after 180 days. Please let me know if you have any questions or concerns.

Management Response

Message:

Purchasing assisted the Office of the Internal Auditor (IA) in the most recent follow-up of the Cell Phone Audit. Over the past couple of months following IA's audit, Purchasing has worked to become the single point of contact and to centralize cell phone plan changes, additions, and equipment purchases. Purchasing would like to respond to IA's findings and explain how we have corrected or are working to correct the issues brought up in the findings.

Equipment Charges:

In the process of studying the accounts and findings of the original cell phone audit, it was found that multiple departments have a SPOC (point of contact) who has the authority to order new equipment, add new lines, and alter plans and changes through our Verizon Wireless representative. Our representative has been instructed by Purchasing to confirm any purchases, additions, cancellations, or any other change regarding Phones through the Purchasing department. However, this instruction was given to the rep in June, after the referenced purchases were made. Purchasing discusses free phone options with departments when a purchase is requested, and also holds an inventory of used phones in case of emergency. Departments are encouraged to take advantage of these options.

Usage Charges:

Purchasing researched the usage charges discovered by IA. It was found that in all cases the usage charge is for a rare occurrence; for example, a 411 call by a user who does not have a Smartphone or the charge for an overage such as sending a photo on a plan that does not have that built in. In most cases, it does not make sense to alter the plan to tailor to these uses due to the additional monthly costs. Purchasing will continue to monitor these usage charges and try to match up plans with types of use to provide the best value for the County. *(Continued)*

Outliers:

Four outliers were found in the follow-up by IA. In one case, a plan had just been upgraded and the charge included a prorated month, so going forward this plan will no longer be an outlier. In the other instances, Purchasing submitted recommendations for review that will save approximately \$50 per month on these charges. Purchasing will continue to work with our provider representative to monitor potential cost savings opportunities for the County.

Taxes Paid:

After the initial audit Purchasing reached out to the County's Verizon Wireless representative and alerted him to the fact that taxes were being charged, the credit process was started. It was also found that one account was a personal account being reimbursed by the County, not a government account, and was therefore being charged taxes. The process has begun to change this account from a personal to a government account so taxes do not get charged from now on.