STATE WIRELESS DEVICE COSTS
DIVISION OF ADMINISTRATION

INFORMATIONAL AUDIT
ISSUED JUNE 22, 2011

LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397

FOR QUESTIONS RELATED TO THIS PERFORMANCE AUDIT, CONTACT EMILY WILSON, PERFORMANCE AUDIT MANAGER, AT 225-339-3800.

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

June 22, 2011

The Honorable Joel T. Chaisson, II,
President of the Senate
The Honorable Jim Tucker,
Speaker of the House of Representatives

Dear Senator Chaisson and Representative Tucker:

This report provides the results of our informational audit report on state wireless device costs as well as recommendations to decrease costs associated with such devices. Appendix A contains the Division of Administration's response to this report. I hope this report will benefit you in your legislative decision-making process.

We would like to express our appreciation to the management and staff of the Division of Administration for their assistance during this audit.

Sincerely,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/dl

SWDC 2011

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Office of Legislative Auditor

Daryl G. Purpera, CPA, CFE, Legislative Auditor

State Wireless Device Costs
Division of Administration

June 2011

Audit Control # 40100016

Executive Summary

The State of Louisiana incurred $8.3 million in total wireless device usage costs during fiscal year 2010. These charges cover various types of wireless device usage including voice plans, text plans, data plans, and wireless broadband cards (air cards) and were determined using data[1] obtained from three wireless service providers: AT&T, Sprint, and Verizon. In addition, the State incurred a cost of $135,036 for acquiring 3,602 wireless devices from January 2010 through September 2010. The purpose of this audit was to determine how the State could save money on the usage of wireless devices. In addition, the Division of Administration asked us to determine if the State could save money by using cell allowance policies. (See Appendix B for our audit initiation, scope and methodology.) The audit objectives and results of our work are summarized below.

Objective 1: How could the State save money on wireless device usage?

Results: The State of Louisiana could save money by reducing the number of wireless devices with no activity and evaluating current wireless device plans to minimize overage charges. Our specific findings are as follows:

- **The State incurred $1.3 million** in charges for wireless devices that had no activity for at least one billing month from August 2009 through June 2010 according to the data from the wireless service providers.

- **The State incurred $126,347** in overage charges on wireless devices during fiscal year 2010.

Objective 2: Can cell allowance policies save the State money?

Results: The State has the opportunity to save money if state entities design cell allowance policies correctly. For the State to realize a cost savings through cell allowance policies, each state entity should design such a policy after evaluating the cost effectiveness of issuing cell phones to employees versus giving employees a cell allowance for the work-related use of personal cell phones. However, not all entities may save money by using cell allowances; the only way to determine potential savings is for each entity to conduct such an analysis.

[1] This data was not audited by the Louisiana Legislative Auditor.

Background

Louisiana participates in a multi-state contract governed by the Western States Contracting Alliance that allows for discounts with AT&T, Verizon, and Sprint on wireless device voice, text, and/or data plans and equipment purchases. According to Division of Administration (DOA) officials, state entities are not required to exclusively use this contract in acquiring wireless devices. Therefore, any wireless devices acquired from other service providers would not be included in this report. Wireless devices include cell phones and wireless network devices (air cards).

The Office of State Purchasing, within DOA, negotiates for discounts on behalf of the State. According to Louisiana Revised Statute (R.S.) 39:14, the Office of Telecommunications Management (OTM), within DOA, has the duty to establish and coordinate all telecommunications systems and telecommunications services of the executive branch of state government, including wireless services for cell phones and air cards.

As of fiscal year end 2010, the State of Louisiana had 9,914 wireless devices with 11% of state employees having a state-issued wireless device. During fiscal year 2010, the State incurred $8.3 million in total wireless device plan charges.[2] In addition, the State incurred a cost of $135,036 for acquiring 3,602 wireless devices[3] from January 2010 through September 2010.[4]

[2] This total includes charges incurred by all 21 state entities under R.S. 36:4(A) and higher education entities. However, this total may not be inclusive of all wireless devices used by state entities outside of AT&T, Sprint, and Verizon. These charges cover various types of wireless device usage including voice plans, text plans, data plans, and wireless broadband cards (air cards) from the three wireless service providers. We did not include pager costs in our analysis.
[3] This amount includes the cost of the wireless devices, accessories, etc.
[4] Our scope was limited to these dates for acquisition costs because of limited data provided by the wireless service providers.

Objective 1: How could the State save money on wireless device usage?

We identified several areas where the State could save money on wireless device usage and improve compliance with statutes that require state entities to monitor and adjust wireless device plans as needed to control device costs.[5] These areas of cost savings described below are based on usage data provided by AT&T, Verizon, and Sprint.[6]

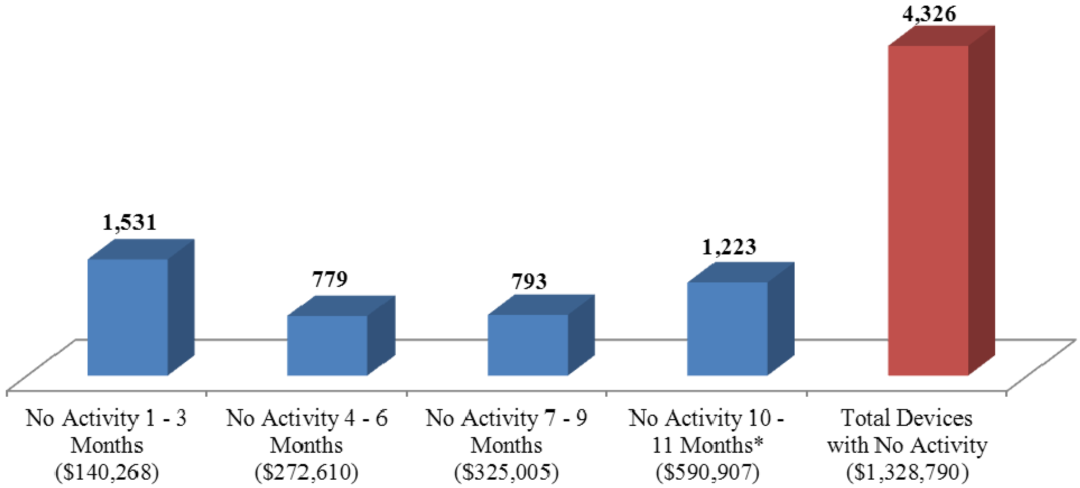
Reducing the number of wireless devices with no activity could save the State money

The State incurred $1.3 million in charges for wireless devices that had no activity for at least one billing month from August 2009 to June 2010[7] according to the data from the wireless service providers. We determined wireless devices with no activity by evaluating the data for wireless devices that incurred a monthly charge but did not have voice, text, and data usage for that month. We also determined the number of months each wireless device had no activity. During our 11-month scope, the State had 4,326 total wireless devices with no activity for at least one month.

Exhibit 1 on the following page summarizes the frequency of the State's wireless devices with no activity. As can be seen in this exhibit, the number of devices with no activity for 10-11 months (1,223) makes up 28% of the total devices with no activity (4,326). These wireless devices incurred a cost $590,907, which is 44% of the total costs for devices with no activity ($1,328,790). In addition, 882 (20%) of the total wireless devices had no activity for all 11 months of our analysis, incurring $450,879 in total charges. We could not determine a specific criterion for an acceptable amount of time a device has no activity before it should be cancelled. Therefore, DOA should identify an acceptable amount of time for a wireless device to have no activity.

[5] R.S. 39:142 states that State entities "shall be responsible for establishing and exercising cost control measures regarding usage of telecommunications systems and telecommunications services within the agency itself."
[6] This data was not audited by LLA.
[7] Because of the July 2009 data issues described in Appendix B, we used an 11-month period of August 2009 to June 2010 for the analysis on wireless devices with no activity.

Exhibit 1
Number of Wireless Devices with No Activity
August 2009 - June 2010



*This column represents only two months of devices with no activity because the July 2009 usage data was excluded.
Source: Prepared by legislative auditor's staff using unaudited data provided by AT&T, Sprint, and Verizon companies.

We provided each state entity a list of the wireless devices with no activity and which months these devices did not have any activity. We provided this data to the state entities to review their records and determine where cost savings can be realized. After discussing the cost incurred on wireless devices with no activity with these entities, we determined that some wireless devices with no activity could result from:

- Stockpiling wireless devices per disaster recovery business continuity plans[8]
- Non-user friendly usage data reports received from the wireless service providers
- Lack of overall usage monitoring policies across state entities
- Employees' job description requires them to be on call with no guaranteed wireless activity

In addition, several state entities stated that the wireless devices with no activity are wireless broadband cards (air cards). Because of the limitations presented with the data, we could not break air cards out for our analysis. Some of the state entities stated that since June 2010 they have reviewed their wireless devices and have cancelled many devices with no activity or have modified their monthly plans.

[8] According to the Office of State Purchasing, disaster recovery business continuity plans help mitigate potential emergencies and can include such measures as stockpiling wireless devices for the use in an emergency.

Recommendation 1: DOA should create policy guidelines for all state entities that determine the acceptable amount of time a wireless device has no activity before the device is deactivated.

Summary of Management's Response: DOA agrees with the recommendation. All state agencies and higher education entities should develop policies and procedures that require monitoring the consumption of wireless devices. DOA recognizes that each state entity has different needs for wireless devices and will emphasize the importance of establishing an acceptable amount of time a wireless device has no activity to determine when a wireless device should be deactivated. DOA will encourage representatives of the various state entities to develop policies and procedures that require monitoring the consumption of wireless devices.

Legislative Auditor's Additional Comments: With this and all subsequent recommendations, we are recommending that DOA take an active role in policy guidance and oversight regarding wireless device usage across state entities.

Recommendation 2: DOA should require state entities to determine if disaster recovery business continuity plans are causing state entities to incur costs on voice, text, and/or data plans for wireless devices with no activity and come up with cost-saving alternatives to these plans.

Summary of Management's Response: DOA agrees with the recommendation. Management recognizes that having wireless devices available in the event of an unforeseen disaster is critical to some entity operations; therefore, some entities may consider charges for months of no activity on wireless devices as a necessary cost of doing business if the risk of not having the devices available during a disaster is highly critical to the entity's ability to provide critical services to citizens. DOA will ask state entities to investigate the impact of maintaining wireless devices as part of its disaster recovery business continuity plans and ask them to explore the possibility of implementing cost-saving alternatives.

Recommendation 3: DOA should require state entities to create policies that determine wireless device usage guidelines for "on-call" employees.

Summary of Management's Response: DOA agrees with the recommendation. State entities should create policies that determine wireless device usage guidelines for "on-call" employees. DOA management recognizes that the policies for "on-call" employees will vary from entity to entity depending on the unique needs of each entity. DOA will emphasize to state entities the necessity to create policies that determine wireless device usage guidelines for "on-call" employees during the next monthly undersecretary meeting.

Recommendation 4: DOA should establish a policy that requires state entities to routinely review wireless device usage and identify potential areas of cost savings.

Summary of Management's Response: DOA agrees with the recommendation. DOA provides recommended best practice information in the Catalog of Services for the Office of Telecommunications Management (OTM). During the upcoming undersecretary meeting, DOA will ask state entities to review the best practices information maintained by OTM and implement policies for administering wireless devices including policies to routinely review wireless device usage and identify areas for potential cost savings.

Evaluating wireless device plans could save the State money by decreasing the cost of overages incurred

The State incurred $126,347 in overage charges for wireless devices that had usage exceeding the allowed plans during fiscal year 2010. One way state entities could reduce the incurrence of overages is to request and review optimization reports provided by the wireless service providers. These reports determine if the account is on the cheapest monthly plan by comparing recent usage costs to comparable usage costs on alternate monthly plans. All three wireless service providers stated they can run these optimization reports that show the potential cost savings of changing a wireless device's monthly plan.

We analyzed optimization reports on the state's accounts with Verizon and Sprint and identified potential cost savings. According to Verizon's report, which analyzed July to September 2010 data, an estimated annual savings of $12,332 could be realized by switching to more optimal plans. The report issued by Sprint, which analyzed data from October to December 2010, estimated an annual savings of $66,102 by switching to more optimal plans.

Recommendation 5: DOA should require state entities to request optimization reports for all accounts and review these reports on a regular basis for potential cost savings from changing monthly plans to minimize overage charges.

Summary of Management's Response: DOA agrees with the recommendation. The issue of requesting optimization reports from wireless service providers is being addressed in the contract that is currently being negotiated by DOA's Office of State Purchasing. The Request for Proposal includes language that will require the vendor to provide the optimization reports on demand. State entities should be able to obtain optimization reports to review on a regular basis to determine potential cost savings. DOA will address this issue during the upcoming undersecretary meeting with state entities.

Objective 2: Can cell allowance policies save the State money?

Using cell allowance policies could save the State money

The State has the opportunity to save money if state entities design cell allowance policies correctly. State entities can provide monthly cell allowances for employees who use their personal cell phones for work-related activities. Each entity designs its own cell allowance policy including reimbursement amounts and submits this policy to the Department of State Civil Service (DSCS) for approval before issuing any allowances. To realize a cost savings, state entities must design cell allowance policies after analyzing the following:

- Past cell phone usage for employees who would be receiving the cell allowance to determine if an allowance would result in a cost savings. As can be seen in Exhibit 1, some wireless devices currently have no activity but are incurring voice, text, and/or data plan costs.
- The average monthly plan cost on state-issued cell phones to set the cell allowance at an amount less than the average monthly plan cost.
- The administrative cost of monitoring state-issued cell phones to determine if cell allowances would decrease the monitoring cost.
- The acquisition cost of state-issued cell phones to determine if cell allowances would result in a cost savings. For example, the State incurred a cost of $135,036 for acquiring 3,602 cell phones[9] from January 2010 through September 2010.

However, since each state entity has different costs and usage patterns, not all entities may save money by using cell allowances. The only way to determine potential savings is for each entity to conduct an analysis as described above.

During fiscal year 2010, five of the 21 state entities had approved cell allowance policies for their employees. The approved cell allowances ranged from $35 to $200 a month. As a comparison, during June 2010, the State incurred an average monthly plan cost of $75 on each cell phone issued by a state entity. Exhibit 2 on the following page summarizes the DSCS-approved cell allowance policies by state entity.

[9] This amount includes the cost of the cell phones, accessories, etc.

Exhibit 2 Cell Allowance Ranges Fiscal Year 2010	
State Entity	**Cell Allowance Range***
Department of Wildlife and Fisheries	$34 - $50
Department of Economic Development	Up to $200**
Department of State Civil Service	Up to $75
Department of Natural Resources	$35 - $75
Department of State	$40 - $75

*Cell allowances differ between state entities. Some of these cell allowances only allow for data plan reimbursements and some only for voice plan reimbursements.
**Department of Economic Development's policy allows up to $200 because of regular international travel.
Source: Prepared by legislative auditor's staff using unaudited data provided by DSCS.

Based on a comparison between fiscal year 2010 cell allowance policy amounts to the average monthly plan cost of $75 on each cell phone issued by a state entity, the State has the opportunity to save money if entities are able to issue cell allowances to employees at rates lower than current monthly plan costs. However, for the State to realize a cost savings through cell allowance policies, each state entity should develop its own policy by evaluating the cost effectiveness of issuing cell phones to employees versus giving employees a cell allowance for the work-related use of personal cell phones.

Recommendation 6: DOA should require each state entity to evaluate and determine if implementing cell allowances would result in cost savings for that entity.

Summary of Management's Response: DOA agrees with the recommendation. Because the various needs of state entities differ, DOA will ask each state entity to evaluate and determine if implementing cell allowances would result in cost savings for the entity when these issues are discussed at the upcoming undersecretary meeting.

APPENDIX A: MANAGEMENT'S RESPONSE

A.2

BOBBY JINDAL
GOVERNOR

PAUL W. RAINWATER
COMMISSIONER OF ADMINISTRATION

State of Louisiana

Division of Administration
Office of the Commissioner

May 20, 2011

Mr. Daryl Purpera, CPA
Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, LA 70804-9397

Re: Response to Informational Report on State Wireless Device Costs

Dear Mr. Purpera:

The State of Louisiana Division of Administration (DOA) would like to thank you and your staff for conducting a review of statewide wireless device usage and providing recommendations to improve the monitoring of statewide wireless device costs.

One aspect of the informational report presents actual costs that state entities incurred during fiscal year 2010 for wireless devices with no activity. Readers of the report should understand that it is a priority that state entities are able to serve citizens of the state in the event of an unforeseen disaster. Incurring costs to have wireless devices available to handle emergency situations will always be a normal cost of doing business for certain state entities.

We have reviewed the recommendations and offer the following comments:

1. *DOA should create policy guidelines for all state entities that determine the acceptable amount of time a wireless device has no activity before the device is deactivated.*

   Response: DOA agrees with the recommendation that all state entities should determine the acceptable amount of time a wireless device has no activity before the device is deactivated. All state agencies and higher education entities should develop policies and procedures that require monitoring the consumption of wireless devices. DOA recognizes however, that each state entity has different needs for wireless devices. During the next monthly undersecretary meeting that is held by DOA, we will emphasize the importance of establishing an acceptable amount of time a wireless device has no activity to determine when a wireless device should be deactivated. We will encourage representatives of the various state entities to develop policies and procedures that require monitoring the consumption of wireless devices.

2. *DOA should require state entities to determine if disaster recovery business continuity plans are causing state entities to incur costs on voice, text, and/or data plans for wireless devices with no activity and come up with cost saving alternatives to these plans.*

   Response: DOA agrees with the recommendation that state entities should determine if maintaining wireless devices with no activity as part of its disaster recovery business continuity plans is causing costs to be incurred on voice, text, and/or data plans. During the next monthly undersecretary meeting that is held with various state entities, the DOA will ask state entities to investigate the impact of maintaining wireless devices as part of its disaster recovery business continuity plans and ask them to explore the possibility of implementing cost saving alternatives. DOA management does recognize that having wireless devices available in the event of an unforeseen disaster is critical to some entity operations; therefore, some entities may consider charges for months of no activity on wireless devices is a necessary cost of doing business if the risk of not having the devices available during a disaster is highly critical to the entity's ability to provide critical services to citizens.

3. *DOA should require state entities to create policies that determine wireless device usage guidelines for "on-call" employees.*

   Response: DOA agrees with the recommendation that state entities should create policies that determine wireless device usage guidelines for "on-call" employees. DOA management recognizes that the policies for "on-call" employees will vary from entity to entity depending on the unique needs of each entity. DOA will emphasize to state entities the necessity to create policies that determine wireless device usage guidelines for "on-call" employees during the next monthly undersecretary meeting.

4. *DOA should establish a policy that requires state entities to routinely review wireless device usage and identify potential areas of cost savings.*

   Response: DOA agrees that state entities should routinely review wireless device usage and identify potential areas of cost savings. This recommendation is in line with the focus of many initiatives and cost savings measures that are being asked of state entities. Recommended best practices information for administering wireless devices is currently available in the Catalog of Services for the Office of Telecommunications Management (OTM). During the upcoming undersecretary meeting, we will ask state entities to review the best practices information maintained by OTM and implement policies for administering wireless devices including policies to routinely review wireless device usage and identify areas for potential cost savings.

5. *DOA should require state entities to request optimization reports for all accounts and review these reports on a regular basis for potential cost savings from changing monthly plans to minimize overage charges.*

Response: DOA agrees that state entities should request optimization reports for all accounts and review them on a regular basis for potential cost savings from changing monthly plans to minimize overage charges. The issue of requesting optimization reports from wireless service providers is being addressed in the contract that is currently being negotiated by DOA's Office of State Purchasing. The Request for Proposal (RFP) includes language that will require the vendor to provide the optimization reports on demand. State entities should be able to obtain optimization reports to review on a regular basis to determine potential cost savings. DOA will address this issue during the upcoming undersecretary meeting with state entities.

6. *DOA should require each state entity to evaluate and determine if implementing cell allowances would result in cost savings for that entity.*

Response: DOA agrees that each state entity should evaluate and determine if implementing cell allowances would result in cost savings for that entity. The cell allowances are for employees who use their personal cell phones for work-related activities. It does not include state issued blackberries or air cards. Because each entity has various needs, determining whether or not cell allowances would result in cost savings should be analyzed by each individual state entity. The amount of cell allowance would also be determined by the analysis. DOA will ask each state entity to evaluate and determine if implementing cell allowances would result in cost savings for the entity when these issues are discussed at the upcoming undersecretary meeting.

In addition to discussing these recommendations in the upcoming undersecretary meeting, DOA will present these recommendations in a letter to all state entities emphasizing the importance of minimizing costs for wireless devices and monitoring the use of them throughout state government.

We appreciate the efforts of your office to make recommendations for improving the operations of state government, and we will carefully consider the recommendations for opportunities to improve statewide management of wireless devices.

Sincerely,

Paul W. Rainwater
Commissioner of Administration

CC: Mark Brady
Dirk Thibodeaux
Ed Driesse
Denise Lea
Steven Procopio
Derald Kirkland
Marsha Guedry

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APPENDIX B: AUDIT INITIATION, SCOPE AND METHODOLOGY

Legal Authority and Purpose. Louisiana Revised Statute (R.S.) 24:513(D)(4) directs the Office of Legislative Auditor to conduct performance audits, program evaluations, and other studies to enable the legislature and its committees to evaluate the efficiency, effectiveness, and operations of state programs and activities. We conducted an analysis on Louisiana's wireless devices used by state employees because of the focus on the budgetary conditions within the State of Louisiana. The purpose of our analysis was to review the costs incurred and usage data for wireless devices for fiscal year 2010 to develop recommendations on how the State could save money with its wireless device usage costs.

We conducted this performance audit in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. To answer our objectives, we reviewed internal controls relevant to the audit objectives and performed the audit steps below.

Scope and Methodology. This audit provides data regarding wireless device costs incurred by each state entity for fiscal year 2010. We conducted an analysis on the wireless device costs to determine how the State could save money with wireless device usage. To complete this project, we performed the following tasks:

- Researched Louisiana's statewide wireless devices guidelines.
- Researched state law and the administrative code for statutes and regulations governing wireless devices used by state employees.
- Researched state law and agency Web sites to determine the allocation of sub-offices, bureaus, commissions, etc., to the main state departments listed in R.S. 36:4 (A). All wireless device data was summed into the 21 state entities that they are placed within by law; however, the Heads of these 21 entities may not have legal authority to supervise or monitor the functions and actions of the sub-entities that are located within their Department. For those sub-offices, bureaus, commissions, etc., with vague account names on the AT&T, Verizon, and Sprint data, we contacted these service providers to determine which state entity they belonged under.
- Obtained and analyzed ISIS data concerning cell allowances for fiscal year 2010 by running the ZP124 report in ISIS-HR.
- Obtained and analyzed the number of classified and non-classified state employees in state entities provided by the Department of Civil Service.

- Obtained and analyzed cost and usage data provided by AT&T, Verizon, and Sprint for wireless devices.
    - Determined the number and monthly plan costs of wireless devices for fiscal year 2010.
    - Determined number and cost of overages on wireless devices that had usage outside of the amounts allowed by the monthly plan during fiscal year 2010.
    - Determined number and monthly plan costs of wireless devices with no activity for at least one month during August 2009 through June 2010. We determined wireless devices with no activity by evaluating the data for the wireless devices that incurred a monthly plan charge but had zero voice, text, and data usage during the same billing month.
- Obtained and analyzed the number and cost of wireless device hardware acquisitions by state entities from AT&T, Verizon, and Sprint for January 2010 to September 2010.
- Obtained and analyzed the wireless device usage reports for Verizon for July to September 2010 and Sprint for October to December 2010.
- Interviewed staff from the Division of Administration, Office of State Purchasing and Travel, and the Office of Telecommunications Management (OTM).
- Contacted individual entities to notify them of wireless devices with no activity and overage charges.

Because this is an informational audit, we did not assess the reliability of the wireless device data from the wireless service providers (unaudited by LLA) or the wireless allowance and employee data provided by the Department of Civil Service and ISIS. As a result, all of our analysis relies on data provided by these entities and is only as accurate and reliable as the data provided. Specifically, we identified the following limitations:

- <u>Low July data usage:</u> We discovered that the AT&T and Sprint data (kilobyte) usage numbers for July 2009 appear to be zero or low for most of the state entities. It was unclear if this was an issue with the report or if these were the actual numbers for July 2009. As a quality assurance step, we requested AT&T and Sprint to re-run the July 2009 data reports. Since these reports came back with the same low data usage numbers, we excluded the July 2009 data from the analysis on wireless devices with no activity. Because these service providers are not state entities, we did not audit the data sets provided to us. All wireless device information presented in this report is based on data provided to us by AT&T, Sprint, and Verizon; this data was not audited by LLA.

- Hardware that had no wireless device plan: During our analysis, the audit team discovered issues with the wireless device data that indicated the data may be incomplete. There was hardware bought during our time scope that did not have corresponding monthly wireless device usage plans. Verizon stated these wireless devices were never activated, and AT&T stated that the data should exist, but they never provided the data. Thus, our results for wireless device costs may be understated.

- Hardware acquisition cost issue: During our analysis, the audit team discovered that some Verizon wireless device mobile numbers acquired multiple free phones for one number during the hardware acquisition scope. At the time of this report, we had not received an answer from Verizon about this issue. However, this issue does not necessarily indicate faulty data and does not affect the cost of the hardware acquisition, as these are free phones.

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