

OFFICE OF THE CITY CONTROLLER



**PLANNING AND DEVELOPMENT DEPARTMENT
CELL PHONE CHARGE REIMBURSEMENTS AUDIT**

Annise D. Parker, City Controller

Steve Schoonover, City Auditor



ANNISE D. PARKER

OFFICE OF THE CITY CONTROLLER
CITY OF HOUSTON
TEXAS

March 27, 2006

The Honorable Bill White, Mayor
City of Houston, Texas

SUBJECT: Planning and Development Department
Cell Phone Charge Reimbursements Audit (Report 05-32)

Dear Mayor White:

The City Controller's Office Audit Division has completed an audit of Cell Phone Charge Reimbursements of the Planning and Development Department (Department). The objective of the audit was to determine if reimbursements were being collected from individual cell phone users for non-business usage of their city cell phones. If so, the auditors determined whether reimbursements were appropriate, adequately supported, and in compliance with established procedures.

The report, attached for your review, concluded that internal controls related to cell phone reimbursements at the Department are adequate, except for the findings and recommendations presented in the body of the report. Draft copies of the matters contained in the report were provided to Department officials. The views of the responsible Department officials as to actions taken or being taken are appended to the report as Exhibit I.

We appreciate the cooperation extended to our auditors by Department personnel during the course of the audit.

Respectfully submitted,

Annise D. Parker
City Controller

xc: City Council Members
Anthony Hall, Chief Administrative Officer
Michael Moore, Chief of Staff, Mayor's Office
Marlene Gafrick, Director, Planning and Development Department
Judy Gray Johnson, Director, Finance and Administration Department

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EXECUTIVE SUMMARY

- Our audit disclosed that there is not a written city-wide policy regarding usage of City cell phones. We recommend that Planning Department (PD) management request the Mayor to consider developing a city-wide cell phone policy. This policy would serve as guidance for departments when developing their departmental policies, issuing cell phones and overseeing their usage.
- Detailed testing of 99 reimbursements revealed, 6 of 99 (6%) were not verifiable due to the minutes reimbursed were not indicated on the monthly statements; 13 of 99 (13%) were not calculated properly; and 92 of 99 (93%) were reimbursed over six months after the personal calls were made. Management should require employees to clearly mark all statements timely so that management can more readily review personal cell phone calls. Further, management should assume a more active role in monitoring cell phone usage.
- Our survey revealed of the 20 departments that allow personal calls, 13 of the 20 (65%) departments credit reimbursements for personal calls against Object Code 3510, *Telephone*. PD credits Revenue Code 8855, *Miscellaneous Revenue* or Revenue Code 7625, *Other Service Charges*. PD management should request the Mayor to consider developing a city-wide cell phone policy, which if the policy allows personal use, the policy should prescribe the requirements for supervisory review, controls for reimbursement collection, deposit, and accounting entries.

SCOPE AND PURPOSE

We have completed an audit of City Cell Phone Charge Reimbursements for the Planning and Development Department (PD). Our audit objective was to determine if reimbursements were being collected from individual cell phone users for any non-business related usage of their City cell phones.

The scope of this audit included the review of reimbursements associated with non-business related usage of City cell phones for the audit period January 1, 2004 through December 31, 2004. The scope of our work did not constitute an evaluation of the overall internal control structure of the Planning Department. The scope of the audit was limited to determining whether City cell phone reimbursements were appropriate, adequately supported, and in compliance with established procedures. This audit was executed in accordance with Generally Accepted Government Auditing Standards (GAGAS).

PD management is responsible for establishing and maintaining a system of internal controls to efficiently and effectively perform financial related activities, and to adequately safeguard assets as an integral part of the overall internal control structure. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or theft, and that transactions are executed in accordance with management's authorization and are recorded properly.

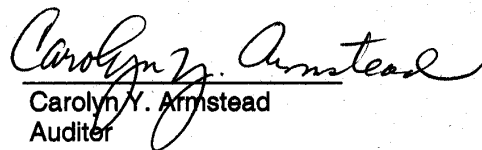
Because of inherent limitations in any system of internal accounting controls, errors or irregularities may occur and not be detected timely. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with procedures may deteriorate.

CONCLUSION

Based on the results of our audit, we conclude that PD's internal controls related to cell phone reimbursements are adequate, except for the findings and recommendations presented in the body of the report.



Monika De Los Santos
Auditor



Carolyn Y. Armistead
Auditor



Steve Schoonover
City Auditor

INTRODUCTION

Cell phone service during our audit scope period of January 1, 2004 through December 31, 2004, was provided by Cingular Wireless (Cingular) under contract number C52372. The PD incurred a cost of \$120,923.80 for calendar year 2004. The Information Technology Department (IT) is the City's main contact with Cingular. IT receives monthly billings from Cingular, separates the billing by department, and electronically distributes the billing to each department's cell phone liaison. After the departments have reviewed and approved Cingular's bill, IT prepares a payment voucher to pay Cingular and distributes the expense to the departments.

During 2004, the Mayor's staff evaluated the cost of the Cingular contract and had all department directors justify and assess the number of cell phones needed in their department. On July 1, 2005 Cingular contract number C52372 was replaced by new contracts with Cingular and Verizon Wireless. The new contracts have a two-year term with three one-year options to renew for a total of five years.

AUDIT FINDINGS AND RECOMMENDATIONS

I. LACK OF CITY-WIDE POLICY - CELL PHONE USAGE

BACKGROUND

Our audit approach consisted of reviewing City Policies and surveying all City departments regarding their cell phone policies and usage. Additionally, we performed detailed tests of cell phone reimbursements of selected City Departments. According to IT, all City departments that issue cell phones require each employee to identify and reimburse the City for their personal calls, which is known as the “honor system”. If the employee does not identify on the statement which calls are personal, then calls are considered business related.

FINDING

Our audit disclosed that there is not a written city-wide policy regarding usage of City cell phones. Fourteen of 24 departments have written departmental policies regarding the use and issuance of cellular phones, however PD did not have a written policy. Without written city-wide policies, departments will not have adequate guidance in issuing cell phones, overseeing their usage and obtaining reimbursement for personal use. Further, written policies provide employees with guidelines for their usage of cellular phones in a proper manner.

RECOMMENDATION

Pursuant to Executive Order 1-1, *Administrative Procedures*, departments are responsible for indicating the need for written administrative procedures. We recommend that PD management request the Mayor to consider developing a city-wide cell phone policy. This policy would serve as guidance for departments when developing their departmental policies regarding issuing cell phones and overseeing their usage. If the policy allows personal use, the policy should prescribe the requirements for supervisory review, controls for reimbursement collection, deposit and accounting entries.

We also recommend in order to assist the reviewer in ensuring calls are business related, written representations should be obtained from the user certifying all calls were business related except as identified as personal. Such a procedure would minimize the risk of utilizing City funds for personal purposes.

II. PERSONAL USE OF CELL PHONES

FINDING

Reimbursements for personal use of City-owned cell phones for the PD totaled \$781.86 for calendar year 2004 while total costs paid for cell phone service were \$120,923.80. As shown in Exhibit A, PD issued 111 employees a City cell phone. We examined 70 employees who made reimbursements for personal calls, which resulted in 99 reimbursements for detailed testing. Of the 99 reimbursements, 6 of 99 (6%) were not verifiable due to minutes reimbursed were not indicated on the monthly statement; 13 of 99 (13%) were not calculated accurately; and 92 of 99 (93%) were reimbursed over six months after the personal calls were made.

RECOMMENDATION

We recommend that management require employees to clearly mark all statements timely so that management can more readily review personal cell phone usage. Further, management should assume a more active role in monitoring cell phone usage. For example, management should review monthly cell phones with significant usage to ensure that calls relate to business or have been properly reimbursed by the responsible employee.

III. ACCOUNTING ENTRIES FOR CELL PHONE REIMBURSEMENTS

BACKGROUND

After the departments review and approve Cingular's monthly bill, IT prepares a payment voucher to pay Cingular and distributes the expense to the departments. These expenses are charged to Object Code 3510, *Telephone*.

FINDING

Our survey revealed of the 20 departments that allow personal calls, 13 of the 20 departments credit reimbursements for personal calls against Object Code 3510, *Telephone*. While 7 of 20 departments credited various revenue accounts for the reimbursement, PD credits Revenue Code 8855, *Miscellaneous Revenue*, or Revenue Code 7625, *Other Service Charges* for cell phone reimbursements. Therefore, there is a lack of consistency in the accounting treatment for recording reimbursements for personal cell phone calls.

RECOMMENDATION

We recommend that PD management request the Mayor to consider developing a city-wide cell phone policy as indicated in Finding & Recommendation I. This policy would serve as guidance for controls for reimbursement collection, deposit, and accounting entries.

EXHIBIT A

**City of Houston – Cell Phone Services For Calendar Year 2004
Average Annual Cell Phone Cost By Department**

Dept.	Department Name	No. Of Cell Phones	Total Cell Phone Cost For 2004 In \$'s	Avg. Annual Cost Per Cell Phone
05	Municipal Courts – Admin	9	\$6,001.12	\$666.79
07	Municipal Courts – Judicial	4	\$239.50	\$59.88
10	Police	775	\$435,860.31	\$562.40
12	Fire	483	\$56,118.94	\$116.19
15	Houston Emergency Center (HEC)	6	\$8,638.20	\$1,439.70
20	Public Works & Engineering	838	\$349,406.28	\$416.95
21	Solid Waste Management	36	\$12,478.79	\$346.63
25	Building Services	56	\$22,244.88	\$397.23
28	Aviation	243	\$68,559.32	\$282.14
32	Housing & Community Dev.	36	\$6,942.32	\$192.84
34	Library	12	\$8,242.96	\$686.91
36	Parks & Recreation	88	\$27,815.93	\$316.09
38	Health & Human Services	324	\$75,155.48	\$231.96
42	Convention & Entertainment Fac.	33	\$38,170.74	\$1,156.69
50	Mayor's Office	33	\$22,832.73	\$691.90
51	Affirmative Action	6	\$2,946.30	\$491.05
55	City Council	10	\$11,558.23	\$1,155.82
60	City Controller	4	\$1,527.41	\$381.85
65	Finance & Administration	30	\$8,634.69	\$287.82
68	Information Technology	73	\$25,598.48	\$350.66
70	Planning & Development	111	\$120,923.80	\$1,089.40
75	City Secretary	0	N/A	N/A
80	Human Resources	19	\$5,511.05	\$290.06
90	Legal	3	\$2,764.57	\$921.52
99	General Government		\$99.85	
GRAND TOTAL		3,232	\$1,318,271.88	\$407.88

N/A Not Applicable

Note 1: Number of Cell Phones – obtained from a Questionnaire Survey completed by each department except HEC. The Office of Emergency Management replied to their portion of the questionnaire and therefore the numbers provided were used in our schedule.

Note 2: Total Cell Phone Cost for 2004 - obtained from Payment Voucher support for the monthly payment to Cingular.

The above table represents the amount spent by each department and an average annual cost per cell phone.

EXHIBIT I




CITY OF HOUSTON

Planning & Development
Department

Interoffice

Correspondence

To: Annise Parker, City Controller
Controller's Office

From:  Marlene Gafrick, Director

Date: March 03, 2006

Subject: **Cell Phone Charge Reimbursement
Audit Responses**

This letter is in response to the Controller's Office Cell Phone Charge Reimbursement audit of the Planning and Development Department performed by the Controller's Office. We have reviewed the report and responses are as follows:

Finding:

Our audit disclosed that there is not a written city-wide policy regarding usage of City cell phones. Fourteen of 24 departments have written departmental policies regarding the use and issuance of cellular phones, however PD did not have a written policy. Without written city-wide policies, departments will not have adequate guidance in issuing cell phones, overseeing their usage and obtaining reimbursement for personal use. Further, written policies provide employees with guidelines for their usage of cellular phones in a proper manner.

Recommendation:

Pursuant to Executive Order 1-1, *Administrative Procedures*, departments are responsible for indicating the need for written administrative procedures. We recommend that PD management request the Mayor to consider developing a city-wide cell phone policy. This policy would serve as guidance for departments when developing their departmental policies regarding issuing cell phones and overseeing their usage. If the policy allows personal use, the policy should prescribe the requirements for supervisory review, controls for reimbursement collection, deposit and accounting entries.

We also recommend in order to assist the reviewer in ensuring calls are business related, written representations should be obtained from the user certifying all calls were business related except as identified. Such a procedure would minimize the risk of utilizing City funds for personal purposes.

Department Response:

The Department will develop and implement a cell phone policy. The department has implemented a cellular phone billing cover letter, which enables the reviewer to certify that all calls were made to conduct official city business unless otherwise indicated.

**Views of Responsible
Officials**

EXHIBIT I

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Finding:

Reimbursements for personal use of City-owned cell phones for the PD totaled \$781.86 for calendar year 2004 while total costs paid for cell phone service were \$120,923.80. As shown in Exhibit A, PD issued 111 employees a City cell phone. We examined 70 employees who made reimbursements for personal calls, which resulted in 99 reimbursements for detailed testing. Of the 99 reimbursements, 6 of 99 (6%) were not verifiable due to minutes reimbursed were not indicated on the monthly statement; 13 of 99 (13%) were not calculated accurately; and 92 of 99 (93%) were reimbursed over six months after the personal calls were made.

Recommendation:

We recommend that management require employees to clearly mark all statements timely so that management can more readily review personal cell phone usage. Further, management should assume a more active role in monitoring cell phone usage. For example, management should review monthly cell phones with significant usage to ensure that calls relate to business or have been properly reimbursed by the responsible employee.

Department Response:

Cellular billing procedures were changed after the 2004 calendar year. PD issues a cover letter requiring the billing statement and letter with management approvals be returned to Management Services within 5 days from receipt. If the billing cover letters and statements are not returned, a follow-up email is sent to the employees and their managers for compliance payment.

Finding:

Our survey revealed of the 20 departments that allow personal calls, 13 of the 20 departments credit reimbursements for personal calls against Object Code 3510, *Telephone*. While 7 of 20 departments credited various revenue accounts for the reimbursement, PD credits Revenue Code 8855, *Miscellaneous Revenue*, or Revenue Code 7625, *Other Service Charges* for cell phone reimbursements. Therefore, there is a lack of consistency in the accounting treatment for recording reimbursements for personal cell phone calls.

Recommendation:

We recommend that PD management request the Mayor to consider developing a city-wide cell phone policy as indicated in Finding & Recommendation I. This policy would serve as guidance for controls for reimbursement collection, deposit, and accounting entries.

Department Response:

The department will develop and implement a cell phone policy that serve as guidance for controls for cell phone users. The department has complied and records the cell phone reimbursements against object 3510.

If there are any questions or comments regarding the responses, you may contact Marcia Wilson at 713 837-7732.

MAG:maw

*Views of Responsible
Officials*