

OFFICE OF THE CITY CONTROLLER



**HOUSTON FIRE DEPARTMENT
CELL PHONE CHARGE REIMBURSEMENTS AUDIT**

Annise D. Parker, City Controller

Steve Schoonover, City Auditor



OFFICE OF THE CITY CONTROLLER
CITY OF HOUSTON
TEXAS

ANNISE D. PARKER

April 25, 2006

The Honorable Bill White, Mayor
City of Houston, Texas

SUBJECT: Houston Fire Department
Cell Phone Charge Reimbursements Audit (Report 05-35)

Dear Mayor White:

The City Controller's Office Audit Division has completed an audit of Cell Phone Charge Reimbursements of the Houston Fire Department (Department). The audit objective was to determine if reimbursements were 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
Phil A. Boriskie, Fire Chief, Houston Fire Department
Judy Gray Johnson, Director, Finance and Administration Department

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EXECUTIVE SUMMARY

- Houston Fire Department (HFD) has a written departmental policy, Reference No. 1-41, *HFD Cellular Phones*. The policy states in section 6.01, “*All Department issued cellular phones are to be utilized for HFD business only.*” However, the policy is not being followed because cell phones are being used for both business and personal. We recommend HFD comply with their current departmental policy, or take steps to revise the policy to reflect current practices being used.
- We selected for testing for calendar year 2004 a sample that resulted in 20 employees. Detailed testing of 60 monthly statements revealed, 4 of 60 (7%) were not verifiable due to the minutes reimbursed were not indicated on the monthly statements and 6 of 60 (10%) were not calculated accurately. Management should require employees to clearly mark all statements timely so that management can more readily review personal cell phone calls.
- Our audit disclosed that there is not a written city-wide policy regarding usage of City cell phones. We recommend that HFD 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.

SCOPE AND PURPOSE

We have completed an audit of City Cell Phone Charge Reimbursements for the Houston Fire Department (HFD). 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 Houston Fire 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).

HFD 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.

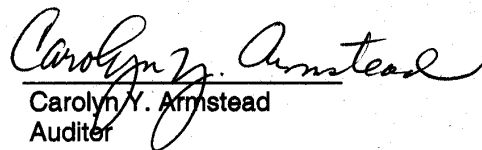
Because of inherent limitations in any system of internal accounting controls, errors or irregularities may occur and not be detected timely. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions,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

CONCLUSION

Based on the results of our audit, we conclude that HFD'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 HFD incurred a cost of \$56,119 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. NON-COMPLIANCE WITH DEPARTMENTAL POLICY

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

Fourteen of 24 departments have written departmental policies regarding the use and issuance of cellular phones. HFD has a written departmental policy, Reference No. 1-41, *HFD Cellular Phones*. The policy states in section 6.01, "*All Department issued cellular phones are to be utilized for HFD business only.*" Also, in Section 6.02 it states, "*All personal use of cellular phones, including incoming personal calls is unauthorized.*" The departmental policy is not being followed because cell phones are being used for both business and personal.

RECOMMENDATION

We recommend HFD comply with their current departmental policy, or take steps to revise the policy to reflect current practices being used.

II. PERSONAL USE OF CELL PHONES

FINDING

We selected for testing a sample that resulted in 20 employees. Our sample for the 12 months totaled \$4,234, of which \$876 was reimbursed for personal use of City owned cell phones. As shown in Exhibit A, 483 employees were issued a City cell phone by HFD and the total cost for cell phone service for calendar year 2004 was \$56,119. We examined 60 monthly statements for detailed testing. Four of 60 (7%) were not verifiable due to the minutes reimbursed were not indicated on the monthly statement and 6 of 60 (10%) were not calculated accurately.

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 activity and collection of reimbursements. 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 for personal calls.

III. LACK OF CITY-WIDE POLICY – CELL PHONE USAGE

FINDING

Our audit disclosed that there is not a written city-wide policy regarding usage of City cell phones. 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

We recommend that HFD management request the Mayor to consider developing a city-wide cell phone policy. Pursuant to Executive Order 1-1, *Administrative Procedures*, departments are responsible for indicating the need for written administrative procedures. This policy would serve as guidance for departments when developing or updating 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 for business or personal use. Such a procedure would minimize the risk of utilizing City funds for personal purposes.

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

Fire Department

Interoffice

Correspondence

To: Annise D. Parker
City Controller

From: Phil A. Boriskie
Fire Chief

Date: April 14, 2006

Subject: Response to Cell Phone Reimbursement
Audit

Recommendation I. Non-Compliance with Department Policy

Response: I find the audit to be a correct representation of our current practice regarding cell phone usage and reimbursement. The HFD does have a written guideline, Reference 1-41, HFD Cellular Phones, which limits all department-issued cellular phones to use for city business only. The findings are correct that some personal use has been allowed outside the guideline. This particular guideline is under revision and should be issued in September of 2006. Changes will be made to reflect our current practices for both business and personal use of a city-issued cellular phone.

Recommendation II. Personal Use of Cell Phones

Response: HFD has in place a process for identifying personal use and receiving reimbursement for personal use of cell phones. Current practices will be re-evaluated as for efficiency and changes made to the process to ensure proper supervisory review, controls for reimbursement collection, and accounting. All employees will be required to clearly mark all personal cell phone usage and submit a copy to the department cell phone coordinator.

Recommendation III. Lack of City Wide Policy – Cell Phone Usage

Response: I will discuss the need for a city wide policy on cell phone usage with the Mayor and explain the need and reasoning behind such request. The department currently requires employees using a city-issued cell phone to verify all personal and business related use. This is accomplished on a form letter from the department cell phone coordinator, which requires a signature from the user.

Thank you for the audit. It is often refreshing to have an independent view of ones operations.

Handwritten signature of Phil A. Boriskie.

Phil A. Boriskie
Fire Chief

Cc: Neil DePascal, Deputy Director



*Views of Responsible
Officials*