

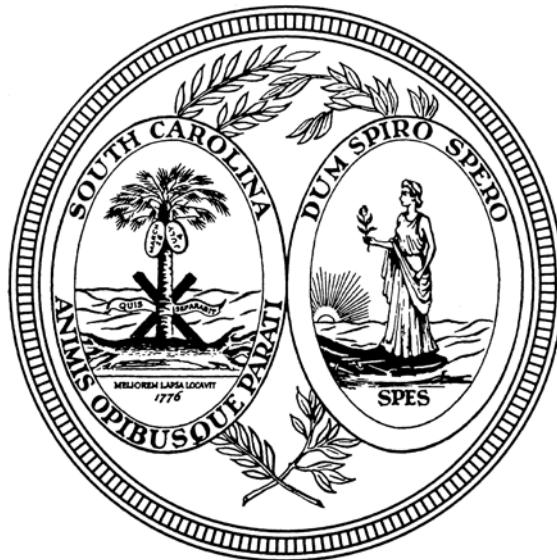


SOUTH CAROLINA GENERAL ASSEMBLY

Legislative Audit Council

June 2008

A REVIEW OF STATE USE OF CELL PHONES, PAGERS, AND SATELLITE PHONES



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Legislative Audit Council

A REVIEW OF STATE USE OF CELL PHONES, PAGERS, AND SATELLITE PHONES

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Synopsis

Members of the General Assembly requested the Legislative Audit Council to conduct an audit of state agencies' use of cell phones and other wireless communication devices. We reviewed whether agencies had policies and procedures to ensure that cell phones and other devices are used in an efficient manner and reviewed the adequacy of agency internal controls over these devices.

We estimate that during the time of our review state agencies had over 15,000 cell phones, 7,000 pagers, and 170 satellite phones. Approximately 25% of state employees carried state-issued cell phones. Of the 100 agencies we surveyed, 96 reported having issued cell phones and/or pagers to their employees. For equipment and services, we estimate that the state spent over \$7 million on cell phones, \$790,000 on pagers, and \$68,000 on satellite phones in FY 05-06.

We found ways that agencies have taken steps to improve the efficiency of their use of these devices, including establishing statewide contracts, adopting cell phone plans that allow employees to share minutes, and using only one provider of cell phone services to obtain additional savings over the state contract.

We also identified areas where agencies could improve the efficiency and effectiveness of their management of cell phones and other devices. We believe if all agencies were to adopt the recommendations contained in this audit, the state should be able to reduce its total expenditures on cell phones and pagers by at least 10%, resulting in estimated savings of over \$800,000 annually.

We found that there is no statewide policy addressing the acquisition, assignment, and use of cell phones and other devices. We found that 26 (27%) of the 96 agencies that provided cell phones or pagers to their employees reported they did not have a written policy for these devices. A statewide policy could assist agencies in addressing areas such as personal use, justification for assignment and retention, equipment purchases, and monitoring of cell phone usage to prevent overages. We concluded that state agencies should:

- Review their cell phone usage to ensure they are using the most cost-effective plan. We found several agencies that were using less than half of their shared cell phone minutes. During the course of our review, S.C. State University (SCSU) and the Department of Revenue revised their cell phone plans with an estimated combined annual savings of \$57,000 (16% and 12% respectively of total cell phone expenditures).

- Review employee cell phone usage to determine if employees have a continuing need for the cell phone. Agencies should also provide prepaid phones to employees who need phones only for use in emergencies. In a review of five agencies, we identified over 90 cell phones that could be eliminated and over 100 phones which could be switched to prepaid phones. We estimate a combined savings of over \$37,000 annually.
- Improve their procedures for preventing overage charges. We identified three agencies with significant overage charges, including the Department of Probation, Parole, and Pardon Services (PPP), which incurred \$108,000 in overage charges between August 2006 and July 2007. We also found individual employees who incurred high cell phone charges, including an SCSU employee who incurred charges of over \$5,000 between July 2006 and June 2007.
- Take steps to prevent inappropriate personal use of cell phones. We found instances where state employees downloaded games and ringtones onto their state cell phones. PPP employees incurred almost \$1,500 in charges for games, ringtones, and other materials between August 2006 and July 2007. We also found examples of extensive personal use, including a PPP employee whose 150 hours in personal calls between July 2006 and August 2007 resulted in \$2,800 in overage charges.
- Take steps to ensure compliance with Internal Revenue Service (IRS) regulations concerning personal use of state-issued cell phones. The IRS considers cell phones assigned to state employees to be “listed property” and “working condition fringe benefits,” which are taxable. Therefore, any state employee using a cell phone provided by the state for business use may be required to pay taxes on any personal use that the employee does not reimburse. State agencies may also be subject to taxes for the employees’ personal use.
- Prohibit state employees from making directory assistance (411) calls using their state-issued cell phones. Instead, state employees can call a free 800 number to obtain directory assistance without incurring a charge. We reviewed 14 state agencies for FY 06-07 and found that over \$10,000 was spent on this type of call. We also identified 21 employees who had incurred over \$100 each in 411 calls during FY 06-07 with amounts ranging from \$106 to \$356.

- Reduce administrative costs by having cell phone bills consolidated into one invoice per service provider. Agencies also should make greater use of cell phone companies' online management systems to review agency cell phone usage.
- Improve coordination of satellite phones by compiling a directory of all satellite phone numbers belonging to state agencies. Agencies should also have written policies regarding appropriate use, acquisition, management, and testing of satellite phones.
- Review pager usage, particularly where employees are assigned both a pager and a cell phone. We reviewed pagers at five state agencies and identified 671 employees with both a pager and cell phone.

In addition, the Budget and Control Board's Division of the State Chief Information Officer (CIO) should verify information provided by cell phone companies on state agency cell phone expenditures. Companies are required to pay an administrative fee of 1% of the total actual sales to cover costs associated with contract administration, which amounted to approximately \$49,000 in FY 05-06 for state agency cell phone expenditures. Companies self-report information on state agency expenditures, and the CIO does not independently verify this information. We reviewed the information sent by the companies and found errors.

Synopsis

Introduction and Background

Audit Objectives

Members of the General Assembly requested the Legislative Audit Council to conduct an audit of the state's use of cell phones and other wireless communication devices, such as pagers, satellite phones, and personal digital assistants (PDAs). The requesters wanted to know whether these devices are being used efficiently and if agencies have proper controls over their acquisition and use. Our audit objectives included:

- Identify the cost and number of cell phones, satellite phones, pagers, and other wireless communications devices in use by state agencies.
- Determine if state agencies have adequate policies and internal controls over the acquisition and use of cell phones and other wireless communication devices.
- Determine if agencies are using cell phones and other wireless communication devices in an efficient manner.

Scope and Methodology

The period of our review was generally FY 05-06 and FY 06-07. We surveyed 100 state agencies, colleges, universities, and technical schools (hereafter referred to as agencies) to gain statewide information on cell phones, pagers, satellite phones, and other wireless communication devices. In addition, we also used the following evidence in conducting our review:

- Interviews with private cell phone company representatives and various state agency officials responsible for acquiring and maintaining wireless services for their agencies.
- Other states' audits of cell phone usage.
- State contracts for cell phone, satellite phone, and pager services.
- Interviews with officials of the federal Internal Revenue Service (IRS).
- IRS regulations and other IRS publications.

In our report, we used computer-based data provided by private companies that provide cell phone services to state agencies. State agencies contract with seven different companies for cell phone services. We obtained information from the three companies that provide the majority of cell phones to state agencies. This information was provided in a variety of formats. For example, we reviewed cell phone records at the Department of Health and Environmental Control using an online management system. We also obtained CDs with bills from agencies such as the Department of Education and the Department of Probation, Parole and Pardon Services. In

addition, cell phone companies provided detailed usage reports for agencies such as the Department of Revenue and the University of South Carolina.

We selected a judgmental, non-statistical sample of state agencies for our review. We chose agencies based on their total number of cell phones as well as other factors, including the availability of information on the issue being examined. We also obtained information from private companies that provide pager and satellite phones to state agencies.

We could not audit or verify all of the information obtained from the private cell phone companies or state agencies, nor did we review internal controls over the data. Where the data was critical to our audit objectives, we reviewed it with the state agencies involved. We also attributed the information to its source where appropriate. Although we found instances where the information obtained contained errors, we critically analyzed the information we received, and compared it with other sources and known evidence. We concluded that the evidence obtained was adequate to support the conclusions, findings, and recommendations in our report. This audit was conducted in accordance with generally accepted government auditing standards.

Background

Based on our survey of state agencies, we estimate there were over 15,000 cell phones, 7,000 pagers, and 170 satellite phones in use during the time of our review. Approximately 25% of state employees carried state-issued cell phones. Of the 100 agencies we surveyed, 96 (96%) reported having issued cell phones or pagers to their employees. The number of employees with cell phones varied from only 1 in several agencies, such as the Department of Archives and History, to over 1,400 at the Department of Health and Environmental Control.

A separate cost code to identify cellular phone expenditures was added to the Statewide Accounting Reporting System (STARS) in January 2005. However, many agencies, including state universities and technical colleges, Santee Cooper, State Ports Authority, and the South Carolina Education Lottery, are not on the STARS system. Based on information reported, we estimate that the state spent for equipment and services over \$7 million on cell phones, \$790,000 on pagers, and \$68,000 on satellite phones in FY 05-06.

The Budget and Control Board's Division of the State Chief Information Officer has established state contracts with private companies for cell phones, pagers, and satellite phones. State agency cell phone plans typically provide either regional or nationwide coverage, a limited number of peak minutes, and unlimited mobile-to-mobile, night, and weekend minutes. For example, the current state contract offers a plan from one company which covers North and South Carolina as well as Augusta and Savannah, Georgia. The user receives 700 peak minutes, along with unlimited mobile-to-mobile minutes and free nights and weekends at a cost of \$33.99 per month. Most agencies have cell phone plans that allow employees to share peak minutes. This practice allows agencies with multiple cell phones to combine all allotted peak minutes into one pool of minutes that is shared by all the phones.

Cell phone technology may be used for purposes other than traditional voice communication. For example, Department of Transportation officials state that they use cell phone technology to communicate data from its automatic traffic counters in areas of the state where land line telephones are too expensive or inaccessible. They also use cell phones to send text messages to interstate message signs to post traffic accidents and AMBER Alerts.

Chapter 1
Introduction and Background

Audit Results

We reviewed state agencies' management and use of cell phones and other wireless devices. We found that agencies have taken some steps to improve the efficiency of their use of these devices. For example:

- The Budget and Control Board's Division of the State Chief Information Officer (CIO) has developed state contracts with private companies for cell phones, pagers, and satellite phones. These contracts allow agencies to purchase these services at a discount.
- Agencies have cell phone plans that allow employees to share minutes, which can help reduce costs and prevent overage charges.
- Individual agencies with a large number of cell phones, such as the Department of Health and Environmental Control (DHEC), the Department of Mental Health (DMH), and the Department of Natural Resources (DNR) have negotiated separate agreements with private cell phone companies and achieved additional savings.
- According to an official with the S.C. School for the Deaf and the Blind, the agency has obtained a discount on its telecommunication costs by making use of the federal E-Rate program for schools and libraries.

We reviewed a limited sample of agencies and identified ways that agencies could improve the efficiency and effectiveness of their management of cell phones and other devices. Where possible we estimate savings for the agencies that we reviewed. Although these savings cannot be projected statistically statewide, we estimate that, if all agencies were to adopt the recommendations contained in this audit, the state should be able to reduce its total expenditures on cell phones and pagers by at least 10%, resulting in estimated savings of over \$800,000 annually. Our specific findings and recommendations are discussed in this chapter.

Statewide Policy for Cell Phones and Other Devices

South Carolina does not have a statewide policy for state-issued cell phones and other wireless communication devices provided to its employees. Such a policy could help agencies address issues such as internal controls, monitoring of cell phone usage, and employee disciplinary procedures. In our survey of state agencies, 26 (27%) of the 96 agencies that provided cell phones or pagers to their employees reported they did not have a written policy for assignment and use of these devices.

We identified ten states — Georgia, Kentucky, Maryland, Minnesota, Mississippi, Montana, North Carolina, Washington, West Virginia, and Wisconsin — that have statewide policies addressing management and usage of state-issued cell phones by employees. Many of these states recently adopted their policies as a result of performance audits. These audits found a variety of problems including lack of controls and inefficient use of state cell phones. Auditors recommended the development of a statewide policy to address these problems.

Elements of a Statewide Policy

We reviewed other states' policies for cell phones and identified the following key elements that could be included in a statewide plan for South Carolina.

- Establish controls for authorizing equipment and service for employees. States such as Maryland, Mississippi, and Wisconsin require agency supervisors to grant authorization for the assignment of cell phones to employees.
- Establish controls for keeping an accurate inventory of state-issued equipment and use of related services. Maryland has an online inventory management system. This allows agencies to enter and view updated inventory information for cell phones (including service plan information) and pagers, and allows the state access to inventory information for all its agencies.
- Require employees to sign a form stating that they understand and agree to follow state policy before they are provided state-issued cell phones. Mississippi, Minnesota, Montana, and Wisconsin include this in their policies. By retaining this documentation, the state reinforces its inventory information, and prevents employees from violating policy and then stating they had not been informed of the policy.
- Establish a system for monitoring use of equipment and service to ensure it is as cost-effective as possible and that employees are complying with policy. Minnesota, Montana, and West Virginia's policies make monitoring the responsibility of management.
- Establish controls for ensuring that agencies and employees are complying with all applicable laws and regulations, including Internal Revenue Service (IRS) regulations regarding personal use (see p. 20). Kentucky specifies steps agencies and their employees must take to comply with applicable IRS regulations. North Carolina and Washington

refer to applicable state statutes and regulations in the policy that must be followed when using and managing state-issued cell phones.

- Include information regarding disciplinary action to be taken in the case of noncompliance. West Virginia's policy states that offenses will result in disciplinary action that can include termination.
- Define which agency has the authority for the policy, and what other responsibilities that agency has. Georgia's Office of Planning and Budget (OPB) promulgated Georgia's policy. The OPB is also responsible for inspecting agency inventories and collecting agencies' expenditure reports for wireless devices. West Virginia's Chief Technology Officer has the authority to establish policy, audit for compliance, and require corrective action.

South Carolina Code §11-35-1580 makes the Budget and Control Board's CIO responsible for administering procurements, maintaining an inventory, and developing policies and standards. The CIO established statewide contracts for cell phones, pagers, and satellite phones and should serve as the central authority for identifying and sharing best practices for cell phone usage among state agencies. These best practices could be identified, in part, by requiring usage reports from cell phone companies as part of the state contract or by making use of vendors' online management systems (see p. 24).

Issues in South Carolina

We found many of the issues that were addressed by other states through their policies to be problems in South Carolina. For example, some South Carolina state agencies:

- Lack adequate controls to ensure that the most cost-effective service plans are being used, and do not always utilize consolidated billing or online management tools (see pp. 23, 24).
- Do not effectively monitor the use of equipment and service, and cannot determine if their employees are complying with agency policies (see p. 5).
- Are currently not fully in compliance with IRS regulations; they and their employees are therefore subject to being audited and penalized (see p. 20).

The state could realize a variety of benefits by having a statewide policy, including:

- Improved information to help the state negotiate better contracts.
- Improved controls over justification and assignment.
- Reduced state agency expenditures related to inefficient operation and monitoring of cell phones.
- Better monitoring of the use of equipment and services.
- Greater compliance with regulations and laws.
- Clear disciplinary standards and reduced likelihood of abuse by employees.

The statewide policy could serve as the basis for optional individual agency policies. These agency policies would be at least as stringent as, and would not conflict with, the statewide policy. This statewide policy should also address agency use of pagers and satellite phones (see pp. 24, 26).

Recommendations

1. The Budget and Control Board, in conjunction with state agencies, should develop a statewide policy for state-issued cell phones and other wireless communication devices provided to state employees. The policy should:
 - Establish controls for authorizing equipment and service for employees.
 - Establish controls for keeping an accurate inventory of equipment issued by the state and related services being used.
 - Require employees to sign a form stating that they understand and agree to follow state policy before they are provided state-issued cell phones.
 - Establish a system for monitoring use of equipment and service to ensure it is as cost-effective as possible and that employees are complying with policy.
 - Establish controls for ensuring that agencies and employees are complying with all applicable laws and regulations, including Internal Revenue Service (IRS) regulations regarding personal use.
 - Include information regarding disciplinary action to be taken in the case of noncompliance.
 - Define which agency has the authority for the policy, and what other responsibilities that agency has.

2. The Budget and Control Board should periodically contact state agencies and private cell phone companies to identify and share best practices for the operation of cell phones and other wireless communication devices.
-

State Agency Cell Phone Plans

State agencies should periodically review their cell phone plans to ensure that they are on the most cost-effective plan. In addition, the CIO should obtain agency usage data prior to issuing the state cell phone contract to ensure that the cell phone plans offered by private companies are the most cost-effective for state agencies.

Most agencies have cell phone plans that share or “pool” minutes. This practice allows agencies with multiple cell phones to combine all their allotted peak minutes into one pool of minutes that is shared by all the phones within the pool. Thus, if one employee exceeds his allotment of peak minutes, his usage can be offset by another employee. This can help agencies avoid overage charges on individual phones that exceed their allotment of peak minutes.

The type of cell phone plan and the number of shared minutes varies significantly by agency. For example, Educational Television has a plan that includes 500 peak minutes for each phone, while agencies such as the Department of Health and Human Services and the Department of Motor Vehicles have plans that include 1,000 peak minutes for each phone. While agencies do not want to exceed their pooled minutes, having too many unused minutes can be an indication the agency is not on the most cost-effective plan.

We reviewed the cell phone plans of ten state agencies including:

Department of Revenue (DOR)
Educational Television Commission (ETV)
Office of the Attorney General
Department of Parks, Recreation & Tourism (PRT)
Department of Motor Vehicles (DMV)
Department of Health and Human Services (DHHS)
Department of Disabilities and Special Needs (DDSN)
Department of Natural Resources (DNR)
Department of Public Safety (DPS)
Department of Probation, Parole and Pardon Services (PPP)

We found that six of these agencies were not using a significant percentage of their plan minutes. Table 2.1 shows these agencies, the pooled minutes allotted per phone, and the percentage of pooled minutes used.

Table 2.1: Percentage of Pooled Minutes Used

AGENCY	MINUTES ALLOTTED PER CELL PHONE	SHARED MINUTES USED
Parks, Recreation & Tourism	1,000	17%
Health and Human Services	1,000	25%
Motor Vehicles	1,000	28%
Disabilities and Special Needs	500	30%
Attorney General	600	55%
Revenue	400 – 2,000	62%

Source: Reports and bills provided by cell phone companies.

Prior to April 2007, ETV had two plans for its phones. Four phones were on a 1,000 minute national pooling plan and 64 phones were on a 600 minute national pooling plan. ETV used approximately 41% of its shared minutes under these plans during the month of March. In April 2007, ETV renegotiated its contract and switched all phones to a 500 minute nationwide plan. This resulted in 53% of its shared minutes being used during the month of June. We estimate ETV will save almost \$4,500 per year in cell phone costs because it switched plans.

Also, during the course of our review, DOR, PRT, and the Attorney General changed their cell phone plans, which should result in cost savings. In addition, we obtained rate plan analyses done by cell phone companies for three other state agencies:

S.C. State University (SCSU)
Department of Juvenile Justice (DJJ)
State Department of Education (SDE)

These analyses recommended new plans, which should result in significant savings. Table 2.2 shows these agencies' projected savings and the percent reduction in the bill amount from their new plan.

Table 2.2: Savings From Changing Plans

AGENCY	ESTIMATED SAVINGS
S.C. State	\$24,000 (16%)
Revenue	33,000 (12%)
Parks, Recreation & Tourism	3,500 (19%)
Juvenile Justice	500 (3%)
Education	12,800 (23%)
Attorney General	600 (2%)
TOTAL	\$74,400

Source: Reports and bills provided by cell phone companies and emails from various state agencies.

Other agencies may be able to benefit from changing their cell phone plans. However, the plans currently on the state contract do not match with the agencies' usage patterns. For example, DHHS had an average of 197 phones on a local 1,000 minute shared plan. However, DHHS was only using an average of 25% of its peak minutes under this plan. The agency could save money by changing to a plan with fewer minutes. We calculated that DHHS would save about \$9,400 per year if it switched to a 500 minute plan.

However, these plans are not currently offered under the state contract. Currently, there is not a 500 minute local plan. The state contract has a local 300 minute plan, but it does not offer unlimited mobile-to-mobile minutes. Having unlimited mobile-to-mobile minutes is important because calls made by agency employees are often to other employees' cell phones. Agencies would use much more of their pooled peak minutes and increase the chances of incurring overage charges without this feature. Table 2.3 shows three agencies and the estimated savings if they switched to a new plan not currently offered.

Table 2.3: Potential Savings from Plans not Currently Offered

AGENCY	MINUTES		ESTIMATED POTENTIAL ANNUAL SAVINGS
	CURRENT PLAN	NEW PLAN	
Disabilities and Special Needs	500	300	\$6,200
Health and Human Services	1,000	500	9,400
Motor Vehicles	1,000	500	15,000
TOTAL			\$30,600

Source: Reports and bills provided by cell phone companies.

According to a CIO official, the state contract is negotiated by having cell phone companies present their plans and negotiate with the CIO on how much the state discount will be. However, the official stated the CIO will, at the request of state agencies, ask companies to develop a specific plan that better suits an agency's needs if the company does not currently offer it. In addition, agencies such as the Health and Environmental Control, Mental Health, and Natural Resources have been able to negotiate separate plans, which resulted in additional savings over the state contract.

Officials with the Budget and Control Board (B&CB) have stated they plan to institute a “most favored nation” clause that will require vendors to give to all state agencies any advantages other customers receive. This should increase the likelihood that state agencies are on the most efficient and cost effective plan. However, a periodic review of agency cell phone usage could result in the development of specific plans not offered to any customers that could prove more efficient and cost effective for state agencies. As the agency responsible for developing the state contract, the B&CB could serve a central role in identifying and establishing these new plans.

Recommendations

3. State agencies should, at least annually, review their cell phone plans to ensure they are on the most cost-effective plans.
 4. The Budget and Control Board’s Division of the State Chief Information Officer should obtain agency usage data and agencies’ analyses prior to developing the state cell phone contract to ensure that the most cost-effective plans are offered to state agencies.
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Low-Use Phones

State agencies should periodically review employee cell phone usage to determine if there is a continuing need for the employee to have a cell phone. Agencies should provide prepaid phones to employees who need phones only for use in emergencies.

We reviewed cell phone usage for employees at five state agencies including:

Department of Health and Environmental Control (DHEC)
Department of Mental Health (DMH)
Department of Motor Vehicles (DMV)
Department of Disabilities and Special Needs (DDSN)
S.C. State University (SCSU)

We identified phones that were used less than ten minutes per month for three months in a row. Table 2.4 shows the agency and the number of low-use phones identified.

Table 2.4: Low-Use Phones

AGENCY	PHONES USED UNDER 10 MINUTES PER MONTH FOR 3 MONTHS IN A ROW
Health and Environmental Control	253
Mental Health	186
S.C. State	52
Motor Vehicles	18
Disabilities and Special Needs	13
TOTAL	522

Source: Agency cell phone bills.

We contacted agency officials regarding why these employees were assigned phones. Agencies responded that they would eliminate 91 of these phones. We estimate this will result in savings of approximately \$22,500 annually.

In a number of instances, agencies responded that the phones were used for emergencies only. These phones should be considered for replacement with prepaid phones. Costs for a prepaid phone can be approximately half of those for a regular cell phone, which incurs a monthly fee no matter how much it is used. While a prepaid phone's minutes are more expensive, the phone incurs no monthly fee. We identified 115 phones which were used primarily for emergencies. If these phones were switched to prepaid phones, we estimate the agencies could save approximately \$15,000 annually.

Agencies should periodically review their cell phone usage and identify low-use phones. By making better use of online billing systems (see p. 24) agencies may be able to do this without an increased administrative burden. Agencies should also examine how the phones are to be used. Where possible, prepaid phones should be used for employees who need phones for occasional or emergency use.

Recommendations

5. State agencies should periodically review employee cell phone use and eliminate phones for employees whose use does not justify having a phone.

6. State agencies should provide prepaid phones for employees who need phones only for emergencies or occasional use.
-

Overages

State agencies should improve their procedures for reviewing cell phone bills to identify and prevent overage charges both agencywide and for individual employees. Overage charges include charges for airtime, roaming, and directory assistance. We reviewed the cell phone bills of ten agencies and found three that incurred significant overage charges.

Significant overage charges by an agency were identified using the percentage of overages comprising the agency's total bill. Only agencies with larger overage amounts were considered (overages over \$1,000). Those over 5% are listed in Table 2.5. In addition, we reviewed the bills of individual employees within these agencies and found several who had incurred high cell phone charges.

Table 2.5 shows the three agencies with significant overage charges, the overage amount, and the percentage of the agency bills comprised by overage charges.

Table 2.5: Agencies with Significant Overage Charges

AGENCY	OVERAGE	TIME PERIOD
Probation, Parole and Pardon Svc.	\$108,900 (32%)	Aug. 2006 – July 2007
Motor Vehicles	\$9,800 (9%)	Jan. 2007 – July 2007
Education	\$6,500 (17%)	Jan. 2007 – Aug. 2007

Source: Agency cell phone bills.

For Probation, Parole and Pardon Services, the majority of the overage charges were the result of the agency exceeding its pool of shared minutes. During the course of our review, PPP officials met with their cell phone provider and decided to change the agency's cell phone plan to increase the number of shared minutes. The agency's annual cell phone expenditures will increase by approximately \$50,000 (26%), but according to agency officials, the new plan should eliminate agency overage, long distance, and roaming charges.

While PPP has taken measures to prevent future overage charges, the agency should consider more stringent internal control policies. We found evidence of extensive personal use that contributed to PPP's overage charges (see p. 16). Agencies that incur overage charges should analyze those charges and determine the cause. Internal controls that prohibit personal use of cell phones by employees could save agencies money and reduce the need to switch to more costly plans.

High-Cost Users

We also identified individual employees, from the bills of the 13 agencies we examined, who incurred significant cell phone charges, either for a single month or for up to one full year (see Table 2.6).

Table 2.6: Employee Bills with Significant Cell Phone Charges

AGENCY	AMOUNT	TIME PERIOD
S.C. State	\$5,056	July 2006 – June 2007
S.C. State	\$4,206	July 2006 – June 2007
S.C. State	\$3,784	July 2006 – June 2007
University of S.C.	\$2,405	July 2006 – June 2007
University of S.C.	\$2,227	July 2006 – June 2007
Probation, Parole and Pardon Svc.	\$1,970	April 2007
Motor Vehicles	\$621	June 2007

Source: Agency cell phone bills.

According to an SCSU official, they did not question the charges cited above because the university was involved in switching to a new financial system, which caused delays in monitoring bills. According to officials at USC, some of the above charges resulted from use of the phone while traveling out-of-state or from exceeding plan minutes. The officials stated that these plans have been adjusted to reduce costs. According to a PPP official, the employee in question traveled out-of-state and was given special permission to take the phone outside of the calling network. According to a DMV official, the employee incurred \$621 in charges from traveling outside of South Carolina and did not realize the phone was not on a national plan, resulting in overage charges.

Without adequate internal controls over cell phones, agencies are susceptible to incurring overage charges. If agencies do not properly train their employees regarding the restrictions of their cell phone plans, they may incur high monthly cell phone overages.

Recommendations

7. State agencies should improve procedures for monitoring cell phone use to prevent overages.
 8. State agencies should regularly review cell phone bills to identify high-cost users and adjust plans where necessary to reduce costs.
-

Personal Use

State agencies should improve their internal controls over cell phones in order to identify and prevent inappropriate personal use. We found instances where state employees downloaded materials such as games and ringtones onto state-issued cell phones. The costs for these downloads were paid by the agency. Other employees have used state-issued cell phones to make excessive personal calls, incurring additional charges at the expense of state agencies. Also, personal use of a state-issued cell phone can result in the employee and the agency having to pay taxes based on the value of the personal usage (see p. 20).

Downloads

We reviewed monthly cell phone bills provided by the largest provider of cell phone service to state agencies. Bills for ten state agencies were reviewed. We identified almost \$2,000 of materials inappropriately downloaded onto state-issued cell phones. The following agencies were identified as having one or more phones with inappropriately downloaded material:

Department of Probation, Parole and Pardon Services (PPP)
Department of Health and Human Services (DHHS)
Department of Natural Resources (DNR)
Department of Public Safety (DPS)
Department of Motor Vehicles (DMV)
State Department of Education (SDE)

Table 2.7 shows the agency and the total cost of these downloads.

Table 2.7: Total Cost of Downloads

AGENCY	COST	TIME PERIOD
Probation, Parole and Pardon Svc.	\$1,485	Aug. 2006 – July 2007
Health and Human Services	200	Jan. 2007 – July 2007
Natural Resources	104	Jan. 2007 – July 2007
Public Safety	100	July 2006 – June 2007
Motor Vehicles	31	Jan. 2007 – July 2007
Education	31	Jan. 2007 – Aug. 2007
TOTAL	\$1,951	

Source: Agency cell phone bills.

Between August 2006 and July 2007, 40 PPP employees downloaded inappropriate material including games, ringtones, wallpaper, sweepstakes, and horoscopes. Table 2.8 identifies examples of material commonly downloaded by state employees, the frequency of the downloads, and the associated cost.

Table 2.8: Examples of Downloaded Materials

TITLE	DOWNLOAD		AGENCY
	COST	NUMBER	
Deal or No Deal	\$0.99	86	Probation, Parole and Pardon Svc. Natural Resources
Blinck Jokes	\$0.99	81	Health and Human Services
Funmobile Alerts	\$5.99	36	Probation, Parole and Pardon Svc.
Tiger Woods Tour	\$2.75	23	Probation, Parole and Pardon Svc.
Dada.net Text Alerts	\$9.99	20	Probation, Parole and Pardon Svc. Public Safety Natural Resources Health and Human Services
Nascar.com to go Wallpaper	\$5.49	11	Probation, Parole and Pardon Svc.

Source: Agency cell phone bills.

We contacted these agencies to inquire about downloaded materials and measures being taken to address the issue. PPP has requested that the company block all future download capabilities. According to the company representative, access to some downloads, such as games, can be blocked. However, other inappropriate downloads that make use of text messaging cannot be blocked without blocking all text messaging capabilities. In addition, PPP management has counseled employees who have inappropriately downloaded materials.

According to a PPP official, PPP has taken several steps to more closely monitor agency cell phone usage. They plan to conduct an annual review of the agency's cell phone plan and encourage staff to utilize company websites and other reporting tools to monitor phone activity. PPP also plans for its internal auditor to conduct audits of individual cell phone bills to insure compliance with policy. Quarterly review meetings with cell phone companies will also be used in order to review billing issues and concerns.

According to a DHHS official, the agency was unaware that material could be downloaded on state-issued cell phones. DHHS contacted its cell phone provider to obtain reimbursement and also requested that the company block this feature. DHHS management contacted agency employees whose cell phone records included charges for downloaded materials, but DHHS could not determine if the downloads were intentionally downloaded by the employees. Also, DHHS's general counsel advised the agency that it would be difficult to require these employees to provide reimbursement for these charges since no prior policy regarding employee reimbursement existed. Therefore, DHHS is considering updating its policy and will also instruct its employees to report any unsolicited downloads or text messages to their supervisors.

DNR already has active policies in place to discourage the personal use of phones by employees. DNR stated that it cannot prevent all inappropriate downloads because doing so would also eliminate the ability for users to text message, an important communication feature for staff. However, staff review bills regularly and employees reimburse the agency for personal usage. In the case of the downloads cited above, DNR either obtained reimbursement from the employee or had the company remove the charge from the agency's bill.

Personal Calls

During our review of agency cell phone bills, we found examples of extensive personal use of state-issued cell phones by agency employees. We were able to obtain information on the most frequently called numbers for PPP, DNR, DPS, and DMH. For PPP, 2 of the 20 most frequently called numbers for the agency were numbers associated with personal use. In one case, between July 2, 2006 and August 1, 2007, an employee made personal calls totaling over 150 hours to a girlfriend in Texas. In a second case, during the same time period, another PPP employee made personal calls to her husband totaling over 87 hours.

Between August 1, 2006 and July 1, 2007, PPP exceeded its pool of shared minutes and incurred over \$100,000 in overage charges (see p. 14). In the

case of the two employees mentioned above, 6,432 peak minutes were used to make personal calls. PPP incurred a charge of 45¢ for each minute over its pool. Thus, these calls resulted in PPP paying overage charges of over \$2,800. According to a PPP official, because the agency did not have a policy in place that clearly stated the requirements for use of cell phones and the requirements for reimbursement, employees cannot be forced to reimburse the agency for these charges.

As a result of incurring extensive overage charges, PPP switched to a cell phone plan that increases the number of peak minutes. This plan change increases PPP's cell phone expenditures by almost \$50,000 per year. It is possible that if PPP were to limit personal use of state-issued cell phones, it may be able to switch to a different cell phone plan and reduce its cell phone expenditures.

We also identified an instance of a DMV employee traveling to an out-of-state conference and incurring almost \$200 in personal calls to relatives. According to a DMV official, the employee was unaware that his cell phone was not on a national calling plan, and the agency will not be requesting reimbursement. In addition, the agency plans to place the employee on a national calling plan, which will result in increased costs to the agency.

In many cases, agencies have cell phone plans that include free nights and weekends, in addition to the agency's shared minutes. Minutes used during these times do not affect the agency's pool of minutes and do not result in overage charges. However, according to IRS officials, personal use of a state-issued cell phone can result in the employee being subject to taxes on the value of the personal use. Based on the most common method of calculating the taxable value of personal use, we estimate the two PPP employees could owe taxes on almost \$700 in personal use. In addition, the DMV employee could be subject to taxes on the \$200 in personal calls made while out-of-town.

Establishing clear and specific policies which limit personal use to extreme emergencies and require reimbursement for personal calls and downloaded materials can help agencies prevent inappropriate personal use of state-issued cell phones. For example, the State Law Enforcement Division (SLED) and the Department of Natural Resources require their employees to review individual bills monthly for personal use and reimburse the agency at a rate of 20¢ per minute of personal use. In FY 05-06, SLED collected over \$20,000 in reimbursement for personal use. By reviewing cell phone bills and reports, such as most frequently called number reports, agencies can also help limit the amount of inappropriate personal use of agency phones.

IRS Regulations

State agencies need to take steps to ensure they are in compliance with IRS regulations concerning personal use of state-issued cell phones.

Based on IRS regulations, the IRS considers cell phones assigned to state employees to be “listed property” and “working condition fringe benefits,” which are taxable. Any state employee using a cell phone provided by the state for business use may be required to pay taxes on any personal use that is not reimbursed. State agencies may also be subject to taxes for the employees’ personal use of state-issued cell phones.

To document which calls are business and which are personal, employees should keep a record of all the calls on their state-issued cell phones. The employee should report the cost of the personal calls to the agency, and the agency determines the cost of the calls and the employee reimburses the agency. If the employee does not reimburse, the agency should add the amount to the employee’s taxable income. Without reimbursement or proper documentation, the IRS can declare that all use of the phone, even business use, is personal and taxable.

Because the tax codes relating to state-issued cell phones can be confusing and require some administrative effort, there have been requests to have them changed. In 2007, the National Association of State Comptrollers (NASC) sent a letter to the IRS requesting that it amend these regulations. The NASC asked the IRS to reduce or eliminate the documentation requirements, arguing they were too burdensome and no longer relevant.

However, according to IRS officials, no changes are being considered, and agencies and employees should comply with the regulations currently in place. They also suggested that agencies follow the “Taxable Fringe Benefit Guide,” which is published by the IRS to clarify these issues.

SLED requires its employees to document, report, and reimburse the agency for any personal calls on their state-issued cell phones. According to an IRS official, when an agency is audited, one area reviewed is whether the agency has established a policy addressing usage of state-issued cell phones.

However, in our survey of state agencies, we found that 26 of the 96 agencies that provided employees cell phones or pagers had no policies in place. During our review, we found that some agencies either were not familiar with the IRS regulations or chose not to address them with their employees. Other agencies knew about the regulations, but had a misunderstanding of their responsibilities and the potential consequences of noncompliance. We also found examples of personal use by employees that should have been taxed, but neither the agencies nor the employees reported this additional taxable income to the IRS (see p. 16).

Compliance with IRS requirements concerning personal use could result in increased administrative costs. For example, employees' increased paperwork documenting their personal and business usage of state-issued cell phones, and the establishment of a system for agencies to monitor the usage, would require more work on the part of agencies.

Personal calls not reimbursed increase the tax liability for both state employees and agencies. State employees must pay taxes on the value of the personal use. State agencies are also subject to taxes, such as Social Security and Medicare, on the value of the personal use because it is considered taxable income to the employee. For example, according to a Washington state official, the state was audited by the IRS in 2007 and was found to not be in compliance with IRS cell phone regulations. The official stated that even though the state had regulations that prohibit personal use of state-issued cell phones, it did not require its employees to document personal and business calls. As a result, the IRS required the state to pay a portion of the unpaid taxes owed by its employees for personal calls, according to the official. He also stated that some agencies were required to pay 30% of their employees' unpaid taxes due to personal calls that were not reimbursed or documented. In some audits, the employees themselves can be required to pay the IRS because they have not complied with the requirements and owe back taxes. Therefore, personal calls that are not reimbursed could be the source of unnecessary additional costs for state agencies and employees.

By complying with IRS requirements, South Carolina state agencies and employees may avoid being fined or penalized as a result of an audit. Also, fewer personal calls should result from following the IRS regulations, possibly saving the state money. Further, monitoring for personal use could help agencies to reduce costs.

While researching policies for use of state-issued cell phones, we found that other states, including West Virginia, Mississippi, Wisconsin, Montana, and Washington, prohibit personal use of these phones.

Recommendations

9. State agencies should establish a policy that prohibits personal use of cell phones by employees except in extreme emergencies. This policy should also:
 - Establish a system for monitoring employees' bills to ensure compliance with the state's policy on personal use, and with IRS regulations.

- Establish a method for documenting any personal use and reimbursing the agency, or reporting additional taxable income, for any personal use that occurs contrary to policy.
 - Establish disciplinary action to be taken if the policy is violated.
10. State agencies should block downloading features, such as games, that are not initiated through text messaging.
-

Directory Assistance Calls

State agencies should prohibit state employees from making directory assistance (411) calls using their state-issued cell phones. Instead, state employees can call a free 800 number to obtain directory assistance without incurring a charge.

Directory assistance (411) calls can cost between \$1.49 and \$1.79 per call depending on the cell phone provider. We were able to obtain total directory assistance charges for 14 state agencies for FY 06-07 and found that these agencies spent \$10,129. In addition, we identified a total of 21 employees at 9 state agencies who had incurred over \$100 in 411 calls during FY 06-07. The amount these employees spent on 411 calls ranged from \$106 to \$356.

In May 2003, the Department of Social Services (DSS) did an internal review of its use of cell phones and other telecommunications and recommended that management consider placing a block on directory assistance calls. However, according to cell phone companies, 411 cannot be blocked. Furthermore, certain employees require the use of directory assistance for their job duties. Therefore, employers should promote alternatives to directory assistance for employees who need directory assistance.

One alternative is for employees to call either 800-FREE411 or 800-GOOG411. The FREE411 service is paid for by sponsors that run advertisements, which usually last about 15 seconds, instead of the caller paying a fee per call. The GOOG411 service does not have advertisements; however, it only provides directory assistance for businesses and not residential listings. Although these services are free, the caller may be charged cell phone minutes depending on the cell phone plan.

Another service is Google 411 text, which allows an individual to request a number via text and receive the directory assistance back in the form of a text message. During the course of our audit, agencies such as DMV and PPP have instructed their employees to make use of these services. Using these services instead of directory assistance could be cost-effective.

Recommendation

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11. State agencies should prohibit state employees from using traditional 411 directory assistance. State agencies should instruct employees to use alternative services.
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Consolidation of Bills

State agencies can reduce administrative costs by having their cell phone bills consolidated into one invoice per service provider. Ninety-six of the 100 agencies that we surveyed reported having cell phones and pagers, and 78 (81%) responded that they have a consolidated cell phone bill. However, 12 agencies with 10 or more cell phones reported they do not have their bills consolidated. For example, SDE processes 30 separate vouchers each month for its cell phone bills from one company. DJJ reports processing approximately 40 separate vouchers each month from one company, and USC allows each of its 130 – 150 departments to handle its own cell phone bill.

In our May 2004 audit of SDE, we recommended the agency consolidate its cell phone bills to reduce administrative costs. However, this recommendation has not been implemented. Two agencies that do not consolidate bills report they do not because cell phone bills may be paid out of different cost centers or from different types of funds, such as federal, state, grant funds, etc. However, consolidation of bills for agencies with multiple funding sources is possible. Two agencies, DHEC and DNR, have numerous funding sources, and their cell phone providers consolidate billings so that only one voucher is required each month for multiple phones.

A 2003 study estimated that it takes more than one hour and costs \$22.67 in administrative costs to process a single voucher. Thus, an agency such as SDE can incur over \$8,000 in administrative costs annually processing 30 vouchers a month instead of \$300 annually by processing a single voucher each month.

Recommendation

-
12. State agencies should consolidate their monthly bills from cell phone providers.

Use of Online Management Systems

State agencies should make greater use of private companies' online management systems to review agency cell phone usage. We asked the 96 agencies that reported having cell phones or pagers about their use of online management and billing systems. Only one-third of agencies reported making use of online billing and management tools. In addition, nearly all agencies reported receiving their cell phone bills on paper. These bills can be thousands of pages in length. For example, DHEC's April 2007 consolidated account statement was 2,566 pages long.

Use of an online management system can make reviewing agency usage patterns and identifying problem areas easier. Online reports may be quickly generated for management review and distributed for appropriate billing. Reports may be created to provide the agency with information on high or low users of minutes, the most frequently called phone numbers, directory assistance calls, roaming charges, overage charges, and nearly any other topic pertaining to cell phone billing data.

Online bills and reports are easier to review and analyze than paper documents, and historical data is available for up to 18 months. Service provider representatives are willing to help train authorized online users to access cell phone data.

Recommendation

13. State agencies, working with cell phone companies, should establish online administration systems for managing agency cell phones.

Pagers

In a limited review of five state agencies we identified almost 700 employees assigned both a pager and a cell phone. Based on our survey and information obtained by the CIO from private pager companies, we estimate that over 7,000 state employees (approximately 12%) carried pagers. State agencies reported spending over \$790,000 on pagers in FY 05-06. Of the 100 agencies we contacted, 61 reported having at least one pager.

We found several agencies that reported they have reviewed their pager use, reduced the number of pagers, and identified potential cost savings. DSS conducted a study of its telecommunications in May 2003 and recommended that the agency develop a written policy addressing the assignment and usage of cell phones and pagers, and that cell phones or pagers only be assigned to staff who have a justified need. As of June 2007 DSS had reduced its number

of pagers from 1,721 to 646. We estimate this has resulted in savings of \$85,000 per year. During the course of our audit, DMH and DOR reviewed their pager usage. DMH eliminated 88 pagers and DOR reported that it has discontinued all use of pagers. We project a combined annual savings of \$12,000 for these two agencies. According to DOT officials, the agency has eliminated 53 pagers with an estimated savings of over \$3,800 annually.

In 2004, according to an agency official, DNR reviewed its cell phone and pager use and eliminated over 250 pagers. DNR now uses the text message feature on its cell phones eliminating the need for a pager. According to a Santee Cooper official, after installation of a new cell phone tower and testing coverage, the agency expects to reduce the number of employees who carry both a cell phone and pager by approximately 60. An official with the S.C. Department of Corrections (SCDC) reports that, as a result of reviewing its pager usage, it will be eliminating the 800 number feature on 52 of its pagers, which costs \$5.07 per month and which should result in savings of over \$3,000 annually.

Dual Assignment

Agencies should review the job requirements of employees who carry both a cell phone and pager to determine if there is a continuing need for the employee to carry both. We contacted the five state agencies from our survey who reported the highest number of pagers to determine how many employees carry both. Table 2.9 shows the agencies we contacted, the number of pagers reported, and the number of employees reported as being assigned both a cell phone and a pager.

Table 2.9: Employees Assigned Both a Cell Phone and Pager

AGENCY	PAGERS	EMPLOYEES WITH CELL PHONE AND PAGER
Santee Cooper	1,165	107 (9%)
Mental Health	1,086	120 (11%)
Corrections	1,072	123 (11%)
Health and Environmental Control	905	320 (35%)
Social Services	646	1 (0%)
TOTAL	4,874	671 (14%)

Source: FY 06-07 data reported by state agencies.

Agencies reported various reasons for having employees carry both a cell phone and a pager. One reason cited was that pager coverage is better than that of cell phones. However, DNR has found that, even when voice communication is unavailable with a cell phone, these phones can still receive text messages. Other reasons cited include an SCDC policy prohibiting cell phones in institutions due to concerns that prisoners will obtain them.

In 2007, DOT conducted a study of its employees who carry both a cell phone and a pager and found that 41 (69%) of 59 users with both devices did not need both. DOT has also instituted a requirement that employees complete a written justification before being assigned both a pager and cell phone.

Recommendations

14. State agencies should review their use of pagers and eliminate those for which there is no continuing need.
 15. State agencies should review the use of these devices by employees who have both a pager and a cell phone.
-

Satellite Phones

The state could improve its coordination of satellite phones by compiling a directory of all satellite phone numbers belonging to state agencies. This directory could be an important tool for use during natural disasters, terrorist attacks, and other potentially harmful situations. Agencies should also have written policies regarding appropriate use, acquisition, management, and testing of satellite phones.

Satellite phones are mobile phones that communicate directly with orbiting communications satellites. Satellite phones cost between \$1,300 and \$4,500 each with additional costs for other necessary equipment. Monthly fees for active phones range from \$25 to \$45. Monthly service fees do not include minutes for phone usage, which range from \$0.75 per minute to \$10 per minute, depending on the type of satellite used during the call.

We identified 15 state agencies with a total of 170 satellite phones (see Table 2.10). We estimate the state spent \$68,000 on satellite phones in FY 05-06 and \$185,000 in FY 06-07. One reason for the large increase in expenditures from FY 05-06 to FY 06-07 is the purchase of 42 new satellite phones by the Adjutant General's Office. Approximately 153 (90%) of these phones are in active status. According to a Budget and Control Board

official, active status means that these phones have an active account with the satellite provider and could be used at any time. They are tested regularly and a monthly fee is paid for their use. Inactive phones are those that are in the possession of the agency, but the account is not active. In the event that the phone needs to be activated, the agency must pay a fee to the satellite provider. Activation can require at least 24 hours, and during emergency situations, the wait is often longer, as many individuals attempt to activate phones at the same time.

Table 2.10: Number of Satellite Phones FY 06-07

AGENCY	SATELLITE PHONES	ACTIVE
Adjutant General	60	58
Chief Information Officer	10	5
Clemson University	1	1
Health and Environmental Control	23	20
Labor, Licensing and Regulation	13	13
Mental Health	2	0
Natural Resources	20	20
Public Safety	8	4
Transportation	2	2
Medical University of South Carolina	4	4
State Ports Authority	9	9
Public Service Authority/Santee Cooper	4	3
State Law Enforcement Division	12	12
University of South Carolina	1	1
Winthrop University	1	1
TOTAL	170	153

Source: FY 06-07 data reported by state agencies.

Most agencies reported that their satellite phones are rarely, if ever, used because they are primarily set aside for emergency use. Agencies reported the following additional justifications for their need to obtain satellite phones.

MEDICAL UNIVERSITY OF SOUTH CAROLINA – To provide communication for key representatives during natural disasters.

CLEMSON UNIVERSITY – To provide a means for rapid response to agroterrorism or other agricultural-related disasters.

DEPARTMENT OF TRANSPORTATION – To provide a means of communication for officials during emergencies.

UNIVERSITY OF SOUTH CAROLINA – To prepare for cases of severe weather on the coast.

DEPARTMENTS OF MENTAL HEALTH AND LABOR, LICENSING, AND REGULATION – To utilize federal grant money for the purchase of phones.

WINTHROP UNIVERSITY – To follow recommendations by state and local emergency preparedness officials that satellite phones provide backup for cell phones in emergency situations.

DEPARTMENT OF NATURAL RESOURCES – To provide a means of communication during emergencies or for employees working in remote locations or at sea.

Several agencies had a difficult time confirming the exact number of satellite phones their agency possesses. In 2006, the CIO compiled a listing of the number of satellite phones in use by each state agency. Generally, the number of satellite phones reported by the agency, by the satellite provider, and by the CIO were all different. For example, the Adjutant General's Office initially reported 28 phones, while the private provider reported 59 and the CIO identified 2 phones. After some time, 60 satellite phones were identified by the agency. If agencies cannot identify or locate their satellite phones, these phones may be of little or no use in emergency situations when they are needed most. The Emergency Management Division of the Adjutant General's Office should compile a directory of all satellite phone numbers belonging to state entities.

In addition to not being able to identify an exact number of satellite phones, most agencies do not have written policies concerning the use of these phones. In response to our survey, only the Department of Labor, Licensing, and Regulation reported having a formal policy regarding the appropriate use of satellite phones. This policy includes who is responsible for phones, when regular testing will occur, and where phones will be stored. Agencies should include satellite phones in their written policies and include appropriate reasons for acquiring phones, the intended use of phones, how phones will be managed, and the procedures that will be followed for testing.

Recommendations

16. The Emergency Management Division of the Adjutant General's Office should compile a directory of all satellite phone numbers belonging to state agencies.
 17. Each state agency with a satellite phone should establish written policies regarding appropriate reasons for satellite phone acquisition, intended use, management, and testing schedule.
-

Administrative Fee on Cell Phones

The CIO should verify information provided by private companies on state agency cell phone expenditures in order to ensure it is collecting all funds due the CIO, and that data on the number of cell phones in the state is correct. The CIO and the Information Technology Management Office (ITMO) issue and maintain state term contracts for the benefit of governmental agencies in the state of South Carolina. Private companies pay an administrative fee of 1% of the total actual sales to cover costs associated with contract administration. In the case of cell phones, this 1% is collected only on monthly recurring charges and amounted to approximately \$49,000 in FY 05-06 for state agency cell phone expenditures.

Companies self-report information on state agency expenditures and include a check for 1% of agency expenditures. The CIO does not independently verify the accuracy of this information. We reviewed the information sent by the companies and found various errors. Some state agencies that were purchasing phones through the state contract were not included in the report to the CIO. We identified 21 agencies with 224 cell phones and expenditures totaling over \$140,000 that were not included in the company information sent to the CIO. Most of these agencies had fewer than 10 phones, but The Citadel, with 95 phones, also was not on the list.

There were also inaccuracies in the number of phones reported by cell phone companies. For example, for the January through March 2007 quarter, one company reported providing USC with 525 cell phones. After the company reviewed the information, the next quarterly report showed 88 phones instead. During the course of our review, the CIO discovered that the Budget and Control Board's Retirement Systems had 21 phones for which the 1% fee had not been paid. The CIO subsequently received a check for \$118.74 to cover the 1% fee.

We also found differences between the amount of expenditures reported by the company and the amount of expenditures found through the Comptroller General's Office (CG) reports. For example, the CG's reports showed the Department of Commerce had total cell phone expenditures of \$95,033 in FY 05-06, but the private companies reported only \$37,374 in expenditures.

The CIO should verify information on cell phone expenditures by comparing it to information provided by the CG or by contacting a sample of state agencies to verify the number of phones. By not verifying the information, the CIO may not be receiving its entire administrative fee. In addition, information on the number of cell phones used by state agencies may not be accurate.

Recommendation

18. The Budget and Control Board's Division of the State Chief Information Officer should implement a procedure to verify the information reported by private companies regarding the number of cell phones and cell phone expenditures by state agencies.

Agency Cell Phone Expenditures FY 05-06

Following are results of surveys or interviews of 100 agencies and institutions of higher education to identify the expenditures for cell phones, pagers, and other wireless communication devices (such as Blackberries and Treos). Of the 100 agencies we surveyed, 96 reported having issued cell phones or pagers to their employees. Also noted are any internal written policies for state-issued wireless communication devices. These expenditures were provided by each agency and were not confirmed in this audit.

	AGENCY	FY 05-06 EXPENDITURES			INTERNAL WRITTEN POLICY
		CELL PHONES	PAGERS	OTHER WIRELESS DEVICES	
1	Adjutant General, Office of the	\$377,792	\$550	\$29,443	Yes
2	Administrative Law Court	3,714	0	0	Yes
3	Agriculture, Department of	13,116	2,458	3,485	Yes
4	Aiken Technical College	4,676	702	0	Yes
5	Alcohol & Other Drug Abuse Services, Department of	6,512	0	0	Yes
6	Archives and History, Department of	361	306	0	No
7	Arts Commission	3,171	0	**	Yes
8	Attorney General, Office of the	17,979	1,813	0	Yes
9	Blind, Commission for the	8,706	0	10,421	Yes
10	Budget and Control Board, State	217,367	26,520	14,540	Yes
11	Central Carolina Technical College	733	0	0	No
12	College of Charleston	80,197	5,558	*	Yes
13	Citadel, The	69,023	10,466	0	Yes
14	Clemson University	910,000	*	*	No
15	Coastal Carolina University	162,584	2,320	0	Yes
16	Commerce, Department of	94,775	0	*	Yes
17	Consumer Affairs, Department of	6,564	302	830	Yes
18	Corrections, Department of	102,997	87,897	0	Yes
19	Deaf and Blind, School for the	14,063	3,682	1,920	Yes
20	Denmark Technical College	16,410	4,704	0	No
21	Disabilities and Special Needs, Department of	26,514	20,892	510	Yes
22	Executive Control of State – Governor's Office	33,164	6,885	0	Yes
23	Education Lottery Commission, S.C.	50,586	0	6,629	Yes
24	Education Oversight Committee	0	0	0	n/a
25	Education, State Department of	93,039	83	**	Yes
26	Educational Television Commission	54,893	3,280	**	Yes
27	Election Commission, State	944	0	1,670	Yes
28	Employment Security Commission	17,488	5,277	321	Yes
29	Ethics Commission, State	822	0	0	No
30	First Steps to School Readiness	2,306	0	10,488	Yes
31	Florence-Darlington Technical College	305	1,102	33,546	Yes
32	Forestry Commission	60,162	36,471	1,967	Yes
33	Francis Marion University	32,233	0	15,360	Yes
34	Governor's School for Arts and Humanities	8,603	0	0	No
35	Governor's School for Science and Mathematics	4,920	0	0	Yes

Appendix A
Agency Cell Phone Expenditures FY 05-06

	AGENCY	FY 05-06 EXPENDITURES			INTERNAL WRITTEN POLICY
		CELL PHONES	PAGERS	OTHER WIRELESS DEVICES	
36	Greenville Technical College	\$58,388	\$3,815	**	Yes
37	Health and Environmental Control, Department of	478,724	**	**	Yes
38	Health and Human Services, Department of	128,782	856	5,462	Yes
39	Higher Education Tuition Grants Commission	2,098	0	0	No
40	Higher Education, Commission on	6,928	0	3,310	Yes
41	Horry-Georgetown Technical College	33,973	2,052	0	No
42	Housing Finance and Development Authority, State	17,552	0	0	Yes
43	Human Affairs Commission	440	0	0	Yes
44	Indigent Defense, Commission on	2,211	0	0	No
45	Insurance, Department of	22,747	0	**	Yes
46	Jobs-Economic Development Authority	2,680	0	0	Yes
47	John de la Howe School	588	0	0	No
48	Judicial Department	6,044	181	25,482	Yes
49	Juvenile Justice, Department of	97,043	25,077	14,100	No
50	Labor, Licensing and Regulation, Department of	88,113	17,164	**	Yes
51	Lander University	31,893	0	0	Yes
52	Law Enforcement Division, State	226,133	2,846	55	Yes
53	Law Enforcement Training Council	15,891	1,961	0	Yes
54	Library, State	350	0	0	No
55	Lieutenant Governor, Office of the	14,614	0	598	Yes
56	Lowcountry, The Technical College of the	2,447	0	0	Yes
57	Medical University of South Carolina	618,042	6,518	151,417	Yes
58	Mental Health, Department of	238,300	124,198	7,548	Yes
59	Midlands Technical College	34,520	2,017	12,371	Yes
60	Minority Affairs, State Commission for	1,233	0	0	No
61	Motor Vehicles, Department of	30,395	0	**	Yes
62	Museum Commission, State	1,510	219	0	No
63	Natural Resources, Department of	187,007	1,293	0	Yes
64	Northeastern Technical College	2,992	99	0	No
65	Orangeburg-Calhoun Technical College	2,816	771	11,372	No
66	Parks, Recreation and Tourism, Department of	64,489	984	*	Yes
67	Patients' Compensation Fund	806	0	0	No
68	Patriots Point Development Authority	8,150	908	0	Yes
69	Piedmont Technical College	18,700	2,011	989	Yes
70	Ports Authority, State	132,185	17,530	**	Yes
71	Probation, Parole and Pardon Services, Department of	288,648	12,477	33,139	Yes
72	Procurement Review Panel	0	0	0	n/a
73	Prosecution Coordination, Commission on	2,557	715	**	No
74	Public Safety, Department of	217,485	4,037	5,400	Yes
75	Public Service Authority/Santee Cooper	52,520	126,007	26,965	Yes
76	Public Service Commission	10,756	104	0	Yes
77	Regulatory Staff, Office of	9,453	0	3,938	Yes

Appendix A
Agency Cell Phone Expenditures FY 05-06

	AGENCY	FY 05-06 EXPENDITURES			INTERNAL WRITTEN POLICY
		CELL PHONES	PAGERS	OTHER WIRELESS DEVICES	
78	Retirement System Investment Commission	\$795	\$0	\$0	No
79	Revenue, Department of	225,927	5,134	**	No
80	Sea Grant Consortium	1,666	0	0	Yes
81	Second Injury Fund	1,482	0	0	No
82	Secretary of State, Office of the	0	0	0	n/a
83	Social Services, Department of	141,563	81,892	0	Yes
84	South Carolina Conservation Bank	1,407	0	0	No
85	South Carolina State University	237,257	4,727	**	Yes
86	South Carolina Transportation Infrastructure Bank	0	0	0	n/a
87	Spartanburg Technical College	5,248	3,162	**	Yes
88	State Accident Fund	1,789	321	0	Yes
89	State Treasurer, Office of the	0	405	0	Yes
90	Technical & Comprehensive Education, State Board of	20,128	478	2,111	Yes
91	Transportation, Department of	509,000	52,940	6,618	Yes
92	Tri-County Technical College	26,558	428	0	Yes
93	Trident Technical College	36,997	5,665	109	Yes
94	University of South Carolina	596,276	56,869	37,878	Yes
95	Vocational Rehabilitation, Department of	43,075	3,789	0	Yes
96	Wil Lou Gray Opportunity School	4,611	108	645	No
97	Williamsburg Technical College	3,775	0	0	No
98	Winthrop University	70,313	946	4,625	Yes
99	Workers' Compensation Commission	0	887	0	No
100	York Technical College	11,624	540	3,485	No
TOTAL EXPENDITURES		\$7,596,413	\$793,399	\$488,747	

* Included in cell phones.

** Not provided.

Appendix A
Agency Cell Phone Expenditures FY 05-06

Agency Comments

Due to the statewide nature of this audit, we provided the report to the 21 state agencies listed below for their review and comment. The following agencies were provided a copy of the preliminary draft of our report and had no comments:

Attorney General
Corrections
Disabilities and Special Needs
Education
Educational Television
Health and Human Services
Mental Health
University of South Carolina

The agencies below were provided both the preliminary and final draft of the report and did not wish to have comments included in the final draft:

Juvenile Justice
Natural Resources
Public Safety
Revenue
Santee Cooper
Transportation

The following agencies' comments are included in this appendix:

Adjutant General – Emergency Management Division *
Budget and Control Board
Health and Environmental Control
Motor Vehicles
Parks, Recreation, and Tourism
Probation, Parole, and Pardon Services
S.C. State University

* Reviewed only the finding entitled *Satellite Phones* on page 26.

Appendix B
Agency Comments

The State of South Carolina
Military Department



OFFICE OF THE ADJUTANT GENERAL

STANHOPE S. SPEARS
MAJOR GENERAL
THE ADJUTANT GENERAL

June 3, 2008

Mr. George Schroeder, Director
Legislative Audit Council
1331 Elmwood Ave., Suite 315
Columbia, SC 29201

Dear Mr. Schroeder:

In response to your letter of May 22, 2008, addressed to Ms. Kelley Anderson, of my staff, regarding the final draft of your findings entitled *Satellite Phones, A review of State Use of Cell Phones, Pagers, and Satellite Phones*, please see the attachment offering our final response. As further mentioned, all agency staff who reviewed the drafts have signed affidavits of confidentiality and they have been returned to your office. Additionally, I respectfully request that any future correspondence concerning the Emergency Management Division be addressed to me rather than to members of my staff.

As mentioned in General Spear's previous letter, all satellite telephones under the Adjutant General's Office, State Operations, are located at the Emergency Management Division headquarters or in the Division's mobile vehicles around the state. We hope this clarifies any concerns regarding the actual accounting for the number of satellite telephones 'on hand'. Again, we are prepared to assist in any of your recommendations to the best of our abilities.

Sincerely,

A handwritten signature in black ink, appearing to read "Ron Osborne".

Ronald C. Osborne
Director

RCO/
cc: Adjutant General Stanhope Spears
Kelley Anderson
Emergency Management Division

ATTACHMENT

June 3, 2008

This response is to address the Satellite Phone Recommendations # 16 and 17 in the Legislative Audit Council findings. All satellite telephones under the Adjutant General's Office, State Operations, are located at the Emergency Management Division headquarters or in the Division's mobile vehicles around the state. The SC Emergency Management Division (EMD) accepts the recommendations and will compile a directory of all satellite phone numbers belonging to state agencies. We will request that each agency provide update as they occur and we will request an annual update from all state agencies. Additionally, we will request each state agency with a satellite phone identified in this document to establish written policies as described in the recommendations. SCEMD has the majority of the state's satellite phones for emergency use during disasters when communications have failed or are overloaded. It is also in our best interest to insure that the directory is maintained here at the Emergency Operations Center to be used in disaster situations.

SCEMD feels these responsibilities should rest with Budget and Control Board, Division of the State Chief Information Officer (CIO). The Governor signed Executive Order 2003-12 establishing policies and procedures to be followed by South Carolina state government in executing all emergency or disaster operations. This Executive Order states that "each department or agency of the state shall be responsible for emergency services as assigned in the South Carolina Emergency Operations Plan (SCEOP)." Annex 2 of the SCEOP is Communications, and the Budget and Control Board, Division of the State Chief Information Officer (CIO), is designated the primary agency for this function. Under the Preparedness Section, page Annex 2-3, as the primary agency they are responsible for identifying public and private communications facilities, equipment and personnel located throughout South Carolina including emergency communications vehicles or mobile command posts. Since the CIO is currently responsible for identifying communications equipment, we believe they should compile a directory of all satellite telephone numbers belonging to state agencies. However, after conversations with CIO, we will accept the responsibility as outline in the recommendations.

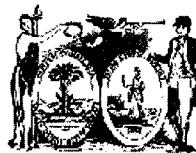
The paragraph discussing the Adjutant General's Office difficulty in determining the number of satellite phones is dependent on how the question was asked. We have satellite telephones and satellite radio/telephones. The numbers of satellite telephones on hand varies based on fiscal year purchases, therefore a "current" number reported in June, may not be the actual number on hand in December. The issue may be further confused when asking how many satellite telephones do you have available to "deploy" or how many are activated, or asking for a total agency count. Additionally, a few satellite telephones may be inoperable, awaiting parts or being sent to surplus property. The Emergency Management Division also purchases and provides satellite telephones to counties and first responders, thus having a certain number on hand today and a different number of telephones tomorrow. The reference to not knowing where our satellite phones are located is inaccurate. Our phones have been and are currently located in two locked locations at EMD or in emergency response vehicles. Currently, the Division has 83 satellite telephones of which 58 are activated, 22 inactive, and three inoperable. These telephones would be used by deployed Emergency Management Division personnel and provided to local emergency officials and first responders following a disaster.

STATE OF SOUTH CAROLINA
State Budget and Control Board
OFFICE OF THE EXECUTIVE DIRECTOR

MARK SANFORD, CHAIRMAN
GOVERNOR

CONVERSE A. CHELLIS III, CPA
STATE TREASURER

RICHARD ECKSTROM, CPA
COMPTROLLER GENERAL



HUGH K. LEATHERMAN, SR.
CHAIRMAN, SENATE FINANCE COMMITTEE

DANIEL T. COOPER
CHAIRMAN, WAYS AND MEANS COMMITTEE

FRANK W. FUSCO
EXECUTIVE DIRECTOR

P.O. BOX 12444
COLUMBIA, SOUTH CAROLINA 29211
(803) 734-2320
FAX (803) 734-2117

June 2, 2008

Mr. George L. Schroeder, Director
Legislative Audit Council
1331 Elmwood Avenue, Suite 315
Columbia, South Carolina 29201

Dear Mr. Schroeder:

The Budget and Control Board appreciates the opportunity to comment on the Legislative Audit Council's report entitled *A Review of the State Use of Cell Phones, Pagers, and Satellite Phones*.

The Budget and Control Board has convened a cross-agency team to develop model statewide policies and procedures to govern the assignment and use of cell phones. These policies will be available for use by agencies that have the management responsibility to determine which employees need wireless equipment to perform their jobs. Agencies then select the proper equipment from the menu of offerings established by the CIO.

Please let me know if the Board can provide any additional information. We appreciate the opportunity to help improve the efficiency of state government. Thank you.

Sincerely,

A handwritten signature in black ink that reads "Frank W. Fusco". Below the signature, the name "Frank W. Fusco" is printed in a smaller, sans-serif font.

FWF:klee

BOARD:
Paul C. Aughtry, III
Chairman

Edwin H. Cooper, III
Vice Chairman

Steven G. Kisner
Secretary



C. Earl Hunter, Commissioner

Promoting and protecting the health of the public and the environment

BOARD:
Henry C. Scott

M. David Mitchell, MD

Glenn A. McCall

Coleman F. Buckhouse, MD

May 30, 2008

George L. Schroeder, Director
Legislative Audit Council
1331 Elmwood Avenue, Suite 315
Columbia, South Carolina 29201

Dear Mr. Schroeder:

We have reviewed the final draft report entitled, "A Review of State Use of Cell Phones, Pagers, and Satellite Phones." We have included our final comments to the recommendations addressed to "State agencies." All affidavits of staff members reviewing the report have been submitted to you.

Recommendation 3: DHEC reviews the cellular phone contract annually to determine if our plan is still cost-effective.

Recommendation 5: DHEC recommends appropriate supervisors or appointed administrative staff review the individual cell phone bills prior to payment. We have updated our policies to require a periodic review of cellular telephone invoices for accuracy and to pinpoint possible abuse.

Recommendation 6: DHEC will recommend that when the appropriate supervisors or appointed administrative staff perform a periodic review of cellular needs that they consider the prepaid phone option. However, at this time our cellular phone provider does not provide monthly statements for prepaid phones so we would not have an opportunity to review the usage. Our cellular phone provider also requires that a credit card be on file for each prepaid phone so that upon notification, additional minutes could be purchased. In addition, if first responders are using these phones, having the ability to reload phones at a moments notice may be a problem.

Recommendation 7: DHEC's contract with the cellular phone provider pools our minutes and as an Agency we have not gone over our pooled minute allocation. We have updated our policies to require appropriate supervisors or appointed administrative staff to review cellular phone invoices periodically for accuracy and to pinpoint possible abuse.

Recommendation 8: We have updated our policies to require appropriate supervisors or appointed administrative staff to review cellular phone invoices periodically for accuracy and to pinpoint possible abuse.

Recommendation 9: DHEC's current policy allows brief personal telephone calls as long as the user does not abuse the privilege and as long as it does not incur a cost to the Agency. We have updated our policies to require appropriate supervisors or appointed administrative staff to review cellular phone invoices periodically for accuracy and to pinpoint possible abuse.

Mr. George L. Schroeder, Director
May 30, 2008

Page 2

Recommendation 10: DHEC has updated the existing cellular policy to prohibit downloading games and ring tones that incur a cost to the Agency. We have updated our policies to require appropriate supervisors or appointed administrative staff to review cellular phone invoices periodically for accuracy and to pinpoint possible abuse.

Recommendation 11: DHEC has updated the existing cellular policy to include the no-cost number and prohibit 411 calls that incur a cost to the Agency.

Recommendation 12: DHEC's cellular bill is currently consolidated.

Recommendation 13: DHEC will continue to work with our cell phone company to utilize this management tool more effectively. We understand that this tool provides detailed information and could eliminate the need of paper invoices.

Recommendation 14: DHEC will require that appropriate supervisors or appointed administrative staff review pager assignments annually and determine if there is a continuing need for the device.

Recommendation 15: During the annual review of pager devices appropriate supervisors or appointed administrative staff will also determine if those employees with both a pager and a phone need both. We have areas within DHEC where cellular service is poor but pagers work. The preferred method of communication is cellular so we encourage staff to use cellular first and a pager as back up. Also, we have applications in place to notify staff via pager when emergency situations arise or to contact an "on call" person. The cellular phone is used at that time to call in when a landline is not available.

Recommendation 17: DHEC has developed policies to address satellite phone acquisition and use. We have included that periodic testing should be done of these phones to ensure they are working properly and are ready for emergency use.

We appreciate the professionalism displayed by the audit staff during their visits. If you or your staff have any questions, contact Nancy Edmunds, Office of Internal Audits at 896-0651.

Sincerely,



C. Earl Hunter Commissioner

cc: R. Douglas Calvert, Chief of Staff
Joyce Outlaw, Voice Communications
Elsie Montgomery, Purchasing Card Coordinator
Nancy D. Edmunds, CIA, Director, Office of Internal Audits

Mark Sanford
Governor



Marcia S. Adams
Director

State of South Carolina
Department of Motor Vehicles

May 30, 2008

Mr. Perry Simpson
Legislative Audit Council
1331 Elmwood Avenue, Suite 315
Columbia, S.C. 29201

Re: 2008 Statewide Review of Agency Communication Devices

Dear Mr. Simpson:

I would like to offer the following comments in response to the matter discussed in the final draft report resulting from the statewide review of agency communication devices performed by the Legislative Audit Council.

SCDMV does not offer a response to those recommendations directed to the Chief of Information Office. However, we do support the development of a statewide cell phone policy and the addition of more plans being offered on state term contracts. Both of these recommendations would prove beneficial to agencies in managing their cell phone plans.

I would like to express my appreciation to you for the cooperation and professionalism of the Council's staff during this review. If you have any questions, please do not hesitate to contact our Procurement Director, Cathy Lucas, at 803-896-7858.

Sincerely,

A handwritten signature in cursive script that reads "Marcia S. Adams".

Marcia S. Adams
Executive Director

cc: Procurement File

S.C. Department of Motor Vehicles
Final Draft Report Response
Statewide Policy for Cell Phones and Other Devices

Recommendation 1: The Budget and Control Board, in conjunction with state agencies, should develop a statewide policy for state-issued cell phones and other wireless communication devices provided to state employees:

SCDMV Response: SCDMV supports the development and implementation of a statewide cell phone policy to serve as a guide for agencies in the development of their own individual policies.

Recommendation 2: State agencies should review their cell phone plans to ensure they are on the most cost-effective plans.

SCDMV Response: SCDMV Procurement meets and consults with its cell phone provider on a regular basis to discuss its plan and review options to reduce costs and improve services. SCDMV will continue these meetings and will work with the state CIO to develop plan options that will be beneficial to the agency. SCDMV believes that the current agency plans service the needs of its employees that use their cell phones for field contact and have frequent travel requiring nationwide service. These plans ensure that users do not exceed their allotted minutes thereby eliminating costs. SCDMV is in full support of additional plans being offered on the state term contracts. These additional plans would better enable SCDMV to assign employees to a plan that is most suited the nature of their job duties.

Recommendation 3: State agencies should periodically review employee cell phone use and eliminate phones for employees whose use does not justify having a phone. Agencies should provide prepaid phones for employees who need phones only for emergencies or occasional use.

SCDMV Response: SCDMV has conducted a review of all cell phones and eliminated a number of phones that were deemed unneeded. The agency will continue to review the need for cell phones and make adjustments as warranted. SCDMV will examine the possibility of issuing prepaid phones to these employees. However, due to the fact the prepaid phones are not on state contract, it will be necessary to find another source to accommodate this service.

Recommendation 4: State agencies should improve procedures for monitoring cell phone use to prevent overages.

SCDMV Response: SCDMV has implemented a procedure whereby monthly cell phone bills are distributed to employees for review. All overages charges must be justified as business related or reimburse the agency for these charges. In response to the charges identified in the chart in the summary, it is important to note that nearly 100% of these charges were incurred in June 2007. At this time, a large number of employees were required to attend the regional AAMVA (American Association of Motor Vehicle Administrators) conference held in Florida in preparation to host the 2008 conference in South Carolina. Most of these employees are not on the nationwide plan due to the fact that they do not travel outside of the regular coverage area and do not incur overage charges.

Recommendation 5: State agencies should review cell phone bills to identify high-cost users and adjust plans where necessary to reduce costs.

SCDMV Response: SCDMV does review its plan as recommended. As a result of this review, 15 employees were put on a nationwide plan due to their position and travel requirements thereby eliminating unnecessary charges. The employee identified in the chart is a member of executive management and needs to be able to contact his staff at all times. The charges noted in the summary occurred when this employee was traveling out of state on required business. The employee has now been assigned to the nationwide plan which will prevent future overage charges.

Recommendation 6: State agencies should establish a policy that prohibits personal use of cell phones by employees and blocks downloading features, such as games, that are not initiated through text messaging.

SCDMV Response: SCDMV has revised its cell phone policy to address this recommendation. The agency will monitor cell phone bills for downloads and if not business related will take appropriate action to include reimbursement by the employee and necessary disciplinary action.

Recommendation 7: State agencies should establish a system for monitoring employees' bills to ensure compliance with the state's policy on personal use, and with IRS regulations:

SCDMV Response: SCDMV has implemented a procedure whereby monthly cell phone bills are distributed to supervisory staff for review to ensure compliance with the agency cell phone policy. Should the state implement a cell phone policy in the future, SCDMV shall incorporate that policy into the existing agency policy.

Recommendation 8: State agencies should prohibit state employees from using traditional 411 directory assistance. State agencies should instruct employees to use alternative services.

SCDMV Response: SCDMV has revised its policy and made use of the alternative, free directory service mandatory for all directory assistance calls.

Recommendation 9: State agencies should consolidate their monthly bills from cell phone providers. Agencies should establish online administration systems for managing cell phones.

SCDMV Response: SCDMV currently uses only one cell phone provider and receives its bill from this provider in a consolidated format. SCDMV Procurement staff utilizes the online systems in managing the agency's cell phone plans.

Recommendation 10: The Emergency Management Division of the Adjutant General's Office should compile a directory of all agency satellite phone numbers. Agencies should establish written policies regarding satellite phone acquisition, intended use, management, and testing.

SCDMV Response: SCDMV currently does not utilize satellite phones within its operations. If such phones are utilized in the future, appropriate controls, including recommended policies, will be developed and implemented.

Recommendation 11: State agencies should review their use of pagers, particularly where employees are assigned both a pager and a cell phone.

SCDMV Response: SCDMV currently does not use pagers within its operations.

South Carolina

Department of Parks, Recreation & Tourism

Mark Sanford
Governor

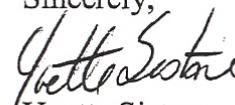
Chad Prosser
Director

June 2, 2008

George L. Schroeder
South Carolina General Assembly
Legislative Audit Council
1331 Elmwood Avenue
Suite 315
Columbia, South Carolina 29201

Dear Mr. Schroeder:

The South Carolina Department of Parks, Recreation & Tourism has instituted the changes to our pooled minute plan as recommended by the Legislative Audit Council. We have implemented measures to ensure periodic review of pooled minute accounts to ensure maximum cost efficiency of the plan compared to the usage minutes.

Sincerely,

Yvette Sistare
Finance Director

cc: Amy Duffy
Chad Prosser
Perry Simpson

State of South Carolina
Department of Probation, Parole and Pardon Services

MARK SANFORD
Governor



SAMUEL B. GLOVER
Director

2221 DEVINE STREET, SUITE 600
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Telephone: (803) 734-9220
Facsimile: (803) 734-9440
www.dppps.sc.gov/

June 2, 2008

Mr. Perry Simpson
Audit Manager
SC Legislative Audit Council
1331 Elmwood Avenue, Suite 315
Columbia, SC 29201

Dear Mr. Simpson:

Thank you for the opportunity to provide this response for the “Review of State Use of Cell Phones, Pagers, and Satellite Phones” of the SC Department of Probation, Parole and Pardon Services. Like the members of the General Assembly, we strongly support the use of performance audits as an important tool to ensure that cell phones and other devices are used efficiently and that internal controls over these devices are in place.

We have worked closely with the LAC staff throughout the process, and we are taking the suggestions for improvement very seriously. In addition to the suggestions, we were heartened by the Auditors’ conclusions that if all agencies cited in the audit were to adopt the recommendations contained in the audit, the state should be able to reduce its total expenditures on cell phones and pagers by at least 10%, resulting estimated savings of \$800,000 annually.

We have attached our response to the audit findings and recommendations. Action in support of the recommendations is already underway by our offices.

Again, we appreciate the efforts of your office. We look forward to working together to increase state government openness, efficiency, and accountability.

Sincerely,

Cheryl Mack Thompson
Director of Fiscal and Materials Management

Enclosure
cc: Kela E. Thomas, Deputy Director for Administration

Review of State Use of Cell Phones, Pagers, and Satellite Phones From SC Department of Probation, Parole and Pardon Services

This document was prepared in response to the final audit delivered to the SC Department of Probation, Parole and Pardon Services (SCDPPPS) on May 2008.

The SC Department of Probation, Parole and Pardon Services is a strong proponent of fiscal responsibility and personal accountability. In October of 2006, the Executive Management team established a communications committee to review the procurement and use of all communication devices. We concur with recommendations and findings of the SC Legislative Audit Council (LAC).

In reference to your recommendations to reduce cell phone cost, SCDPPPS responds:

- *Improve procedure of monitoring cell phone use to prevent overage charges. Regularly review cell phone bills for high cost users and adjust plans where necessary to reduce costs.*

Response:

The cellular phone bills are reviewed monthly by one (1) Cell Phone Accountant staff member. The process for review includes reviewing the bill summary for any unusual charges. This review includes researching vendor billing problems and reporting any steps taken to resolve the discrepancies with the vendor to the Accounting Services Supervisor by the 20th of each month. Also, employees with excessive usage charges should be investigated and reported to the Director of Fiscal and Materials Management.

The following checks and balances are now in place to ensure the necessary review of the cellular phone bills occur.

- *The Communications Subcommittee will meet quarterly with the cellular phone vendors to review any billing issues.*
- *An annual review of the cellular phone service plan will be conducted to verify that the Agency has the best coverage plan available to meet its needs.*
- *Phone Accountant staff will utilize vendor websites and other reporting tools available to monitor cellular phone activity.*
- *The Agency has designated one (1) FTE whose sole responsibility is to maintain full compliance with Policy #608.*
- *The Agency's Internal Audit Department has revised their job duties to include an audit of individual cell phone bills to assist with compliance of Policy 608.*

Finally, SCDPPPS Agents and official regularly move across state lines while performing their law enforcement duties. The agency now utilizes a national cell phone plan to omit high overage and roaming fees. Employees are now more cognizant of their individual use of cell phones and the agency plan.

Review of State Use of Cell Phones, Pagers, and Satellite Phones – SCDPPPS

- Establish policies that prohibit personal use of cell phones by employees and block download features, such as games, that are not initiated through text messaging.

Response:

We met with the vendor to discuss cancellation and removal of downloads from the Agency-issued cellular phones. It was determined that the only way to remove the unwanted recurring charges was to contact a third-party vendor to request the charge to be removed and each download had to be manually removed from the device. PPP has requested that the vendor block all future download capabilities for every Agency-issued cellular phone. In addition, employees that have Agency-issued cellular phones assigned to them have been counseled about their actions and PPP is has been reimbursed for the cost of the unauthorized downloads to the assigned cellular phone.

Furthermore, all employees with unauthorized downloads will be disciplined according to the Agency's Progressive Discipline policy # 205 and will reimburse the Agency for any and all cost.

- Prohibit state employees from using traditional 411 directory assistance. State agencies should instruct employees to use no-cost alternatives.

Response:

The Agency's policy now prohibits the use of 411 directory assistance by cell phones or land line. All SCDPPPS employees have received alternative methods of obtaining directory assistance (Example: emails and newsletter communication).



South Carolina State University
PO Box 7007
300 COLLEGE STREET, NORTHEAST
ORANGEBURG, SOUTH CAROLINA 29117-0001
(803) 533-3742

MR. JOSEPH PEARMAN, JR.
ASSISTANT VICE PRESIDENT FOR
FINANCE, FACILITIES, & MIS

FAX: (803) 516-4860

June 2, 2008

Response by the management of South Carolina State University in regards to the Legislative Audit Council's (LAC) report to the General Assembly entitled "A Review of State use of Cell Phones, Pagers, and satellite Phones"

We would like to extend our thanks to the members of the General Assembly for initiating this review and to the LAC for their hard work. In light of the increase in State-issued cell phones and other communication devices within our state we at South Carolina State University welcome suggestions on enhancing our practices and cutting costs.

During the course of the LAC's review the University established policies and procedures of eligibility and use of cell phones and other communication devices. Within these policies consideration was given to the IRS tax regulations. We have since put in to practice a mechanism to ensure adherence to these regulations. The University also terminated service on 33% of issued cell phones for non-use or employees not meeting the eligibility requirements to have access to a University-issued phone. Based on the report we will expand our policies to perform more frequent reviews of under and over usage of the phones and adjust accordingly. There were no instances of inappropriate downloads cited in this report for South Carolina State University, however we will implement enhanced training to the users of the equipment to ensure that this type of behavior will not occur.

This report was published for a total cost of \$308; 100 bound copies were printed at a cost of \$3.08 per unit.

LAC/07-1
