State Auditor's Office Performance Audit

Opportunities to Reduce State Cell Phone Costs

November 18, 2011

Washington
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State Auditor

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A message to the citizens of Washington

Citizens of Washington:

I am pleased to present this performance audit recommending ways state agencies can reduce cell phone costs. It is the latest in a series of audits in which we lay out real and potential administrative cost-savings at a time when agencies need those saved dollars more than ever.

This audit could not come at a better time. Recently, the Governor directed agencies to reduce the number of cell phones and cell phone costs. This report makes specific recommendations on how to do that.

Prior to the directive, our audit already had determined nearly one-third of the phones we reviewed were used infrequently or not at all during the 12 months we looked at, at a cost to the state of $1.8 million. More than 2,000 of those phones were not used once during the audit period, at a cost to the state of more than $533,000.

Besides recommending that agencies get rid of many of these phones, we also found ways they can save money by matching phone plans to actual use; by using pre-paid plans; and by the state developing, for the first time, centralized guidance on cell phone use and service plans through the new Office of the Chief Information Officer and Department of Enterprise Services.

I also would like to give credit here to state agencies that, in total, already have taken nearly 2,000 phones out of service and that have changed plans, resulting in an estimated savings of $732,565 so far. We are confident others will follow as they work to be good stewards of precious public dollars.

Sincerely,

BRIAN SONNTAG, CGFM

WASHINGTON STATE AUDITOR

The State Auditor's Office Mission

The State Auditor's Office independently serves the citizens of Washington by promoting accountability, fiscal integrity and openness in state and local government. Working with these governments and with citizens, we strive to ensure the efficient and effective use of public resources.

Executive Summary

Why we audited the state's cell phone use

Washington state agencies issue thousands of cell phones to their employees and spend millions of dollars on wireless telecommunications services. Other states have identified millions of dollars in potential savings by closely examining cell phone use patterns and policies. We conducted this audit to help Washington state reduce costs and improve the management of state-issued cell phones and wireless services.

This report identifies specific steps the state can take to reduce costs and improve cell phone management. Few, if any, of these actions require legislative action, and every dollar saved now is a dollar that can be used for more important priorities.

Scope and methodology

We evaluated the use and costs of nearly 22,000 cell phones used by state employees in 89 state agencies from March 2010 through February 2011. The agencies purchased the phones from Verizon, Sprint, and AT&T under master contracts administered by the Department of Information Services. In October 2011, this responsibility shifted to the Department of Enterprise Services (DES). Although no one knows the precise number and cost of state cell phones, we believe the phones we reviewed represent approximately 80 percent of the total.

During the 12 months we reviewed, the state spent $9.2 million through five master contracts. Three of the contracts, one for each carrier, are negotiated by the State of Nevada for Washington and other members of the Western States Contracting Alliance (WSCA). During the study period, the Department of Information Services (DIS) had two other contracts, with Verizon and Sprint, to buy services specifically for Washington state. We reviewed data provided by DIS and all three carriers, and we analyzed in-depth about 1,750 phones purchased from AT&T under the WSCA master contract.

Key conclusions

- **Nearly one-third of the cell phones we reviewed** – 6,679 phones, for which the state spent $1.8 million – were used infrequently or not at all during the 12-month study period. More than 2,000 of those phones were not used once during the audit period but cost the state more than $533,000.

- **State agencies can save money on phones that are used regularly** by better matching phone plans with their actual use. When we analyzed the use of phones serviced by AT&T, we found the state could save an additional $347,000 by changing most regularly used phones to a prepaid plan.

- **The state's cell phone master contracts do not include prepaid plans.** Agencies must select from a complex array of hundreds of price plans, which can result in unnecessarily high costs. We identified one phone for which the state paid $443 a month when it could have purchased the same level of service for $100 using a prepaid plan.

- **Washington state does not provide central guidance** to help agencies decide which employees should receive phones or which price plans they should choose. Such guidance could help state agencies better manage their cell phone costs.

- **To hold down costs in the complex telecommunications marketplace**, some organizations have retained "optimization" specialists to help them match actual cell phone use to the most appropriate price plans. California used this approach and cut costs by 28 percent in just over a year. Washington has not used this approach.

Recommendations

We identified opportunities for the state to cut costs through relatively simple and straightforward strategies. We also identified more far-reaching strategies to help hold down long-term costs.

We recommend state agencies:

- **Turn in all unused and little-used cell phones** unless they are required for emergencies or for the safety of employees or the public. Agency managers should select the most cost-effective price plans for any of these phones they retain.

To reduce future costs, we recommend the Department of Enterprise Services and the Office of the Chief Information Officer:

- **Expand opportunities for agencies to use prepaid cell phones**. Cell phone vendors offer prepaid phone plans at low cost. DES and OCIO and, if necessary, the Legislature should clarify that state law permits agencies to buy prepaid services and add prepaid price plans to the state master contracts.

- **Explore providing stipends to employees who use personal cell phones** for state business. Several public sector organizations, including the Department of Transportation, Washington State University and Western Washington University, already use this practice.

- **Develop clear, consistent guidance** to help all state agencies make good decisions in assigning cell phones to their employees, selecting price plans, monitoring costs and turning in unused phones.

- **Contract with a private optimization specialist** that can help state agencies match actual cell phone use with cost-effective price plans.

What's next?

We conducted this evaluation under the authority of the state's performance audit law, which was enacted in 2005 through a statewide citizen initiative. All of our I-900 state government audits and assessments are reviewed by the Joint Legislative Audit and Review Committee (JLARC) and by other legislative committees whose members wish to consider findings and recommendations on specific issues.

Representatives of the State Auditor's Office will report on this performance audit to JLARC's Initiative 900 Subcommittee in Olympia. Please check the JLARC website for the exact date, time and location (**www.leg.wa.gov/JLARC**). The public will have the opportunity to comment at this meeting.

All of the state agencies that purchase telecommunications services or provide spending oversight will decide whether to use the cost-saving strategies identified in this report. The State Auditor's Office conducts periodic follow-up evaluations and plans to survey central service agencies in the summer of 2012 to determine whether they have adopted these recommendations.

Introduction

Overview

State agencies issue cell phones and other wireless telecommunications devices to thousands of employees. Cell phone charges are billed and accounted for by each agency; state officials do not centrally track phone use or total spending, or how best to control wireless service costs. To address this, we audited statewide cell phone use during 12 months in 2010 and 2011 to answer the following questions:

- **To what extent are state-issued cell phones underused?**
- **How could agencies reduce their costs for these phones and for wireless services in general?**

We reviewed state agency charges from three providers' master contracts from March 2010 through February 2011. We chose Verizon, AT&T and Sprint because data from the state's accounting system suggests these carriers provide about 80 percent of state agency cell phone services. We analyzed cell phone bills paid by 89 state agencies for phones that were active for at least three months during the audit period.

Cell phone companies offer more than just cell phones – about one in seven devices we reviewed was a **data card** – a small device that gives laptop users mobile Internet access through a cell phone number. For the purpose of this report, we use the term **cell phone** to describe different types of cellular devices – including those used for **voice-and-text**, **smartphones**, and data cards. Often known by a brand name like BlackBerry or iPhone, a smartphone offers voice communication and advanced email and Internet capabilities. Other cell phones are used mostly for talking and sending text messages.

Which phones did we count as *unused* and *little-used*?

Unused: A phone that was not used during the one-year review period.

Little use: A phone used, on average for less than 30 minutes of talk **and** less than 1 MB of Internet and email data **and** less than 50 text messages per month. One MB of data is equivalent to about 50 text-only emails per month, or 12 per week.

Regular use: A phone used for an average of at least 30 minutes of talk **or** 1 MB or Internet and email data **or** 50 text messages per month.

Methodology

As described below and discussed in more detail in **Appendix B**, we conducted our analysis in two phases:

- We looked at overall costs and use patterns to learn how many state cell phones were unused or little-used, and how much they cost the state during the audit period. We identified opportunities for the state to save money for phones in both categories.
- Then we looked at price plans and costs to learn if the state could save money by changing plans for some regular-use phones. We analyzed the use and costs of about 1,750 phones obtained from AT&T to see if they would have cost less on a prepaid plan, under which customers would pay in advance for voice minutes with an option for emails and Internet access. We calculated how much these phones would have cost if they had been on the prepaid plan and compared this amount with what the state actually paid.

We calculated how much the state could have saved during the 12-month period. Future savings could be greater or less than the totals we identified.

In addition to identifying savings opportunities based on Washington's billing data, we wanted to know about cell phone policies and audit recommendations in other states. We reviewed audit reports from nine other states and reviewed policies at Washington state agencies, universities, and local governments.

To better understand cell phone service options, we interviewed cell phone sales representatives and staff members from the Department of Information Services (DIS). We also reviewed master contract documents, including phone plans and prices offered under the contracts.

Finally, we reviewed information state agencies reported to the Office of Financial Management about the steps they have taken to help manage their cell phone usage and costs.

We conducted this performance audit under the authority of state law (RCW 43.09.470), approved as Initiative 900 by Washington voters in 2005, and in accordance with generally accepted governmental auditing standards prescribed by the U.S. Government Accountability Office. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained during the course of this audit provides a reasonable basis to support our audit findings, conclusions and recommendations.

How does Washington buy cell phone services?

During the audit period, the Department of Information Services (DIS) administered six master contracts for cell phone services with Verizon, AT&T, T-Mobile USA, and Sprint. In October 2011, this responsibility shifted to the Department of Enterprise Services (DES). Under state law, most executive branch agencies **must** buy cell phones and cellular services through these master contracts; use of the master contracts is **optional** for universities, colleges, and agencies run by elected officials. Also, the Office of Financial Management can waive the master contact requirement if an agency shows it can buy cell phone services for a lower cost from another vendor. Eighty-nine of the state's 170 agencies use the contracts we reviewed. Others buy services from other carriers or provide a stipend to employees who use their personal phones.

Four of the master contracts are negotiated by the Western States Contracting Alliance (WSCA), an organization of several states that join forces to buy services at reduced rates. While using WSCA contracts helps reduce costs, it also means Washington has minimal influence over contract provisions. Nevada, as the "lead state," negotiates cell phone contract terms. To buy services under terms specific to Washington, the state also has entered two master contracts outside of WSCA.

Agencies must pick a price plan for each phone, which establishes a monthly rate for a given level of service. For instance, under one price plan, subscribers can pay $33 a month for up to 450 minutes of air time. Other plans offer such features as unlimited text and emails, or free voice minutes on weekends. Agencies face an overwhelming array of choices when picking price plans. We found hundreds of different price plans in the bills we reviewed.

Among the many options available, state agencies can buy "pooled" phone services under a family plan, where one phone is "primary" with a large voice allowance and a higher monthly charge and associated "secondary" phones have lower charges and share the voice allowance for the primary phone.

What information is available about cell phone costs?

Although DES administers master contracts with Verizon, AT&T, T-Mobile USA, and Sprint, it receives only minimal cost information. Cell phone carriers submit quarterly billing summaries for all state agency charges, but the summaries do not include information that would allow an analysis of cell phone use and costs, such as how many minutes each phone was used or how much each phone costs per month. This information is available only from each agency and each cell phone company.

With hundreds of plans available, the monthly charge for a given phone user can vary greatly depending on which price plan is chosen. Pricing and billing is further complicated by the presence of pooled services. No single state agency collects information on the use and cost of individual phones, and central information is not available about the total number or cost of state cell phones.

Under the WSCA contracts, cell phone companies must provide information to Nevada aimed at controlling costs. Every three months, the companies must send Nevada "optimization reports," which are designed to help administrators make sure each phone is on the most appropriate plan. This includes identifying users who consistently rack up overage charges and those who consistently underuse their phone plans. Contract language states that both types of users should move to lower-cost price plans.

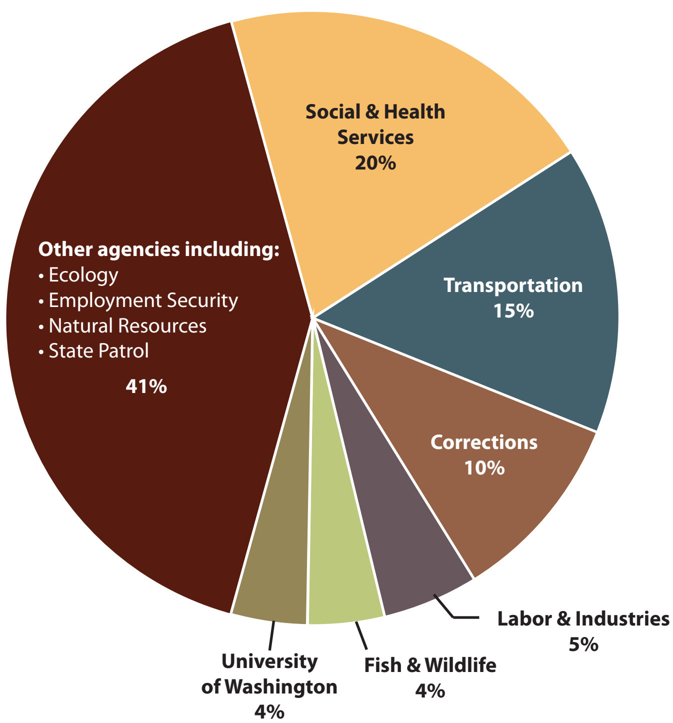
Washington's use of cell phone services

The state workforce has shrunk in recent years, but the number of cell phones issued to state employees grew during the audit period. The number of phones increased from about 19,000 in March 2010 to 21,000 in September. By February 2011, the number had dropped to about 20,600, or about one phone for every five state employees.

We analyzed billing data totaling $9.2 million for the nearly 22,000 phones that were used for at least three months during the 12-month period, reflecting the fact that some phones were turned in and others activated during the year.

Agencies that employ many workers with mobility or safety needs generally have the highest number of cell phones. **Exhibit 1** shows that the departments of Social and Health Services, Transportation and Corrections accounted for 45 percent of the total. Other agencies with large numbers of cell phones are shown in **Appendix C**.

Exhibit 1
Three agencies account for 45% of state cell phones



21,891 phones
March 2010 through February 2011

Source: *State Auditor's Office analysis of billing data provided by Verizon, Sprint, and AT&T.*

State agencies have taken steps to reduce cell phone costs

Over the past few years, several agencies have reviewed their cell phone use, payment plan options, and management policies. In response to an Office of Financial Management cell phone management survey in September 2011, agencies said they had taken some or all of the following steps to minimize costs:

- Switching to lower-cost plans where many cell phones share a pool of monthly minutes.
- Reducing the number of cell phones.
- Sharing cell phones by checking them out as needed.
- Centralizing the management of cell phones to better monitor use.
- Reviewing cell phone usage with their cell phone vendor representatives.

For example:

- **Department of Corrections** managers said that since June 2011, they have turned in 78 phones and switched 500 others to a vendor that provides electronic invoicing, which makes it easier to monitor costs.
- **Department of Transportation** officials reported that since January 2011, they have switched 206 cell phones to lower-cost price plans, saving $30 per phone every month. They said the department turned in 58 unused phones between March and September 2011.
- **The Department of Social and Health Services** reported that in late 2010 it consolidated accounts and reduced the number of voice minutes purchased.
- **Department of Fish and Wildlife** officials said that in 2005 they consolidated approximately 640 Verizon and AT&T accounts into 18 pooled accounts, which reduced payment processing time.
- **Department of Ecology** managers said that since the 1990s, employees have checked out phones for short-term use when they travel or to increase their safety. They also said they review phone use monthly. The agency is considering whether to allow employees to use their personal cell phones for work purposes.

All of the 18 agencies that responded said they had taken some steps to actively manage their cell phone costs.

What did other states find when they reviewed cell phone services?

Several states have found opportunities to save money on cell phones while still providing phones for employees who need them. A California study in January 2011 found that one in four cell phone lines reviewed was never used during December 2010, resulting in $300,000 in unnecessary service fees. A 2010 audit in Virginia found more than 4,000 unused phones cost more than $962,000 over six months, and a recent New Jersey audit found more than 2,000 phones were not being used. Nearly 1,400 of these phones were immediately disconnected, reducing annual costs by $412,000.

Some cell phone audits also concluded that agencies paid more than necessary because their phones were set up on expensive plans. The City of Los Angeles found it could have saved up to $1 million by optimizing cell phone plans. A Maryland audit found nearly $300,000 in potential annual savings, resulting from underused phones and price plans that did not match use. The Virginia audit found many phones were set up on costly plans but employees did not use all available minutes.

Auditors also noted their states provided agencies little or no guidance on how to buy and use cell phones. In May 2011, Los Angeles auditors reported the city allowed individual departments to choose cell phone companies and to decide which employees received phones. In 2008, South Carolina auditors reported the state lacked a statewide cell phone policy, and a quarter of state agencies had no policies on the assignment or use of cell phones. They noted several other states had policies addressing the management and use of state-issued cell phones.

Issue 1: Nearly one in three state cell phones was never used or minimally used last year, costing the state $1.8 million.

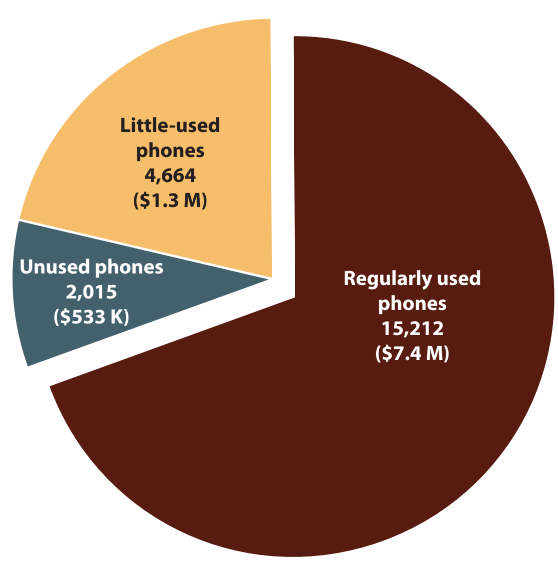
Exhibit 2 shows that 30 percent of the nearly 22,000 state-issued cell phones whose billing records we reviewed — 6,679 phones — were used for less than 30 minutes of air time **and** less than 1 MB of Internet and email **and** 50 text messages per month. These unused and little-used phones accounted for almost one-fifth of state cell phone spending. The breakdown was as follows:

- **Phones that were not used:** The state spent more than $533,000 – 6 percent of all charges – on more than 2,000 phones that were not used **at all** during the year. Two-thirds of these phones incurred charges for all 12 months. The average cost for each unused phone was $261 per year.
- **Phones that received little use:** The state spent $1.3 million - 14 percent of all charges – on about 4,700 phones used on average for less than 30 minutes of voice **and** less than 1 MB of data and 50 text messages per month. Three-quarters of these phones incurred charges for all 12 months. The average cost for each little-used phone was $272 per year.

Information we received and analyzed from cell phone vendors about each agency's cell phone use and costs is summarized in **Appendix C.**

In total, the state spent about $1.8 million during the year for phones that met our definitions of unused and little-used phones. The potential for savings could be even greater if agencies turned in phones that were unused for shorter periods of time. For example, if agencies had turned in cell phones after just three months of **no use**, the state would have saved another $350,000 during the audit period.

Exhibit 2
Almost one in three cell phones was unused or little-used



21,891 phones
$9.2 million annual expense
March 2010 through February 2011

Source: *State Auditor's Office analysis of billing data provided by Verizon, Sprint, and AT&T.*

Issue 2: Even for phones that are used regularly, state agencies can save by better matching phone plans with actual use.

As described earlier, state agencies must choose from hundreds of different price plans for their employees' cell phones. Given the number and complexity of those plans, agencies may not be able to tell which phone plans best match their needs. Cell phone audits in other states have concluded agencies paid more than necessary because their phones were set up on unnecessarily costly plans.

To determine whether state agencies may be able to save on regular-use cell phones by better matching phone plans with actual use, we analyzed approximately 1,750 cell phones serviced by AT&T. Those phones accounted for about $1 million of the $9.2 million in cell phone charges we examined. We conducted this analysis for AT&T phones because its billing records were the only ones that included the level of detail we needed for our analysis. See **Appendix B** for more information.

To illustrate the potential for cost savings, we estimated what it would have cost if some regular-use phones had been switched to a lower-cost plan. While many low-cost plans are available under the master contracts, we chose a **prepaid** plan for our analysis. Prepaid plans usually have higher per-minute rates, but they can be less expensive for many phones with low to moderate use. AT&T, Verizon, and Sprint offer such plans to the public.

By putting phones on cheaper plans, the state could have saved 45 percent of what it spent on the regularly used phones we reviewed.

About 700 of the AT&T phones we analyzed had **no use or little use** during the 12-month audit period, at a cost of about $275,000.

For the remaining 1,040 phones that met our definition of **regular use**, state agencies would have saved nearly half what they spent – about $347,000 – by switching 883 of these phones to a prepaid plan.

In some cases, the potential savings for individual phones were substantial. For instance, one phone cost $443 a month, when the same phone would have cost $100 a month under the prepaid plan. That's a difference of about $4,100 a year for just one phone. Another phone cost $82 a month, but under a prepaid plan would have cost about $8 a month.

Because the data was not readily available, we were unable to estimate the potential savings for regular use cell phones obtained from other vendors. While the potential savings from the other vendors may be different from the savings we estimated for the AT&T phones, it is likely that much more could be saved if phone plans were better matched to actual cell phone usage for **all** state cell phones.

Prepaid plans are among the lowest-cost price plans available for phones with low to moderate use, yet they are not available under the master contracts. For most state phones, there would be no cost to switch to a prepaid plan, since penalties or fees are prohibited under contract, even if a phone was recently activated.

The state would have to address several implementation issues to place more phones on prepaid plans:

- State law (RCW 43.88.160) prohibits buying many services in advance, with some exceptions. However, it is not clear whether this law permits or prohibits prepaid cell phone services.
- The state master contracts do not offer prepaid plans, and most cell phone services are bought through those contracts. The state and its vendors would have to amend the contracts to include the option of buying prepaid service at a discount.
- Users of Sprint phones would have to pay one-time costs to switch to prepaid plans, because existing Sprint phones are not compatible with a prepaid plan.

Issue 3: Washington could improve its overall management of state agencies' cell phone costs.

State laws and policies require the Department of Enterprise Services to administer the state's cell phone master contracts and require most executive branch agencies to use those contracts. However, the state lacks more specific requirements or guidelines for cell phone procurement, such as which employees should receive cell phones, how to evaluate their need for a phone, which price plans would be the most cost-effective, how cell phone costs and use will be monitored, and when unused or underused cell phones should be turned in. Instead, each agency decides which employees should have phones and chooses cell phone carriers and price plans. Agencies may develop their own policies or procedures, but are not required to do so.

Using master contracts and pooling phone minutes may help reduce certain cell phone costs. However, our audit and the experiences of other states show that more specific central guidance could help state agencies more effectively manage cell phone use and costs.

More widespread use of policies already in place at some state agencies and other governments could improve Washington's cell phone management.

Such policies have several common elements. Some limit the number of phones issued to employees. For example, Washington State University issues them only to employees with "legitimate business needs" in certain positions.

Some policies require monitoring cell phone use to control costs. The Washington State Department of Transportation requires periodic evaluation of employees' need for cell phones.

Some policies require employees to choose more economical options when they use their phones. For instance, South Lake Tahoe, California, requires cell phone calls be as brief as possible and that calls incurring extra charges, such as directory assistance, be made only when absolutely necessary.

Cell phone optimization specialists help contain costs

Effective cost management requires specialized knowledge and systems, and ongoing monitoring to make sure phones and price plans are matched with actual use. Choosing the right price plan is complicated, requiring expertise in an ever-changing array of options.

Several private firms "optimize" their clients' cell phone services and reduce costs by cancelling unneeded phones and monitoring phone use to keep phones on low-cost plans. Consistent with our results, these companies report saving 20 to 40 percent from baseline costs. If Washington state achieved similar results, it would save $9 million to $18 million over the next five years.

Examples of public-sector cell phone policies

Limit eligibility to reduce the number of phones

1. Phones must increase productivity, service to the public, safety or emergency communications.
2. Phones must be for performing essential work-related business.
3. Policies specifically designate types of employees that may or may not use employer-paid phones.

Monitor phones to hold down costs

4. Staff must periodically review the business need for each cell phone.
5. Staff must monitor and review service plans to ensure cost-effective use.
6. Staff must review monthly bills to identify inappropriate use, unnecessary charges, and underused phones.
7. Staff must monitor and return any unused or unneeded devices.

Educate employees to choose lower-cost options

8. IT staff must recommend lower-cost phone plans.
9. Phone users must limit phone calls to the shortest time possible.
10. Phone users must use fee-based services like directory assistance only when absolutely necessary.
11. Phone users should use cell phones only when a less costly alternative is not available.

Source: *State Auditor review of policies at Washington state agencies and other public sector organizations.*

California has hired a company to monitor and manage cell phones, initially reducing monthly costs for audited phones by 28 percent. California officials said they expect similar savings opportunities for phones not yet analyzed. In Washington, several state agencies said they had worked with cell phone vendors to help manage and control their costs, but none reported hiring an "optimization" consultant.

Some organizations pay employees to use their own phones

Some government agencies in Washington and elsewhere have taken an entirely different approach to buying cell phone services. Rather than contracting with cell phone companies, these organizations pay employees a flat rate to use their personal cell phones at work. Agencies adopting this approach have reported lower cell phone bills and reduced administrative costs. Washington State University (WSU), Western Washington University (WWU) and the Department of Transportation (DOT) use employee stipends or allowances.

In some cases, using a personal cell phone for work purposes has resulted in challenges relating to public records law and employee privacy. Earlier this year, city council members in Austin, Texas dropped their cell phone stipends when they learned that personal records could go public. And according to Washington officials, courts have ordered state troopers to turn over personal cell phone records when personal phones were used on the job.

Washington agencies using cell phone stipends or allowances have taken different approaches to the public records question. According to DOT policy for personally-owned cell phones, business-related Internet and email activity is subject to public records law, but personal communication is private, with limited exceptions.

In other cases, documentation collected by management is subject to public records law, but personal information is not always included in these documents. Users at WSU must submit cell phone bills and evidence of use. And when WWU employees provide cell phone bills to management, the university encourages them to black out personal phone activity from these documents.

While we did not evaluate the use of employee stipends for this audit, this approach may present an attractive option for saving money. Auditors in Los Angeles found stipends offer the potential for "significant cost savings" and recommended city agencies turn in most phones and pay employees a stipend. Similarly, a Kansas audit concluded that school districts could save money by using stipends rather than paying the entire cost of phones.

Take steps to reduce costs

1. **All state agencies should turn in unused and little-used phones unless they are required for emergencies or the safety of employees or the public.**

   Turning in cell phones that are not used for at least 30 minutes of voice **or** at least 1 MB of data **or** 50 text messages per month could save up to $1.8 million per year. Actual savings could be higher, because we counted only those phones that were little-used for the entire year. Savings would be greater if agencies also turned in phones after **three months** of little or no use.

   While most unused and little-used phones likely are unnecessary, some may fulfill essential purposes, such as providing emergency communication or enhanced safety and productivity. Agencies should review the use and pricing of these phones on a case-by-case basis before deciding to keep them. For any phones that are kept, agency management should select the price plan that would be most cost-effective.

2. **The Office of the Chief Information Officer and the Department of Enterprise Services should expand opportunities for state agencies to use prepaid cell phone plans.**

   Prepaid phone plans offer an attractive savings option. The Verizon, AT&T and Sprint master contracts do not include prepaid plans, and questions were raised during our audit about whether state law permits purchasing cell phone services in advance. The OCIO and DES should determine whether state law (RCW 43.88.160) permits buying prepaid plans and, if not, propose legislation to change the law.

   The state buys most of its cell phone services through the master contracts – using bulk purchasing to get a discount on services. Adding prepaid plans to the menu of low-cost price plans would provide agency management with one more tool for keeping costs down while buying needed phone service.

   After state law is clarified or amended to permit prepaid plans, DES should work to ensure the Western States Contracting Alliance adds prepaid plans to the existing master contracts. We identified possible savings by comparing the actual costs of AT&T phones with a retail prepaid plan. Since vendors often discount their retail rates for large-volume purchasers, the state could save even more by leveraging its buying power to purchase prepaid phone plans at a discount.

3. OCIO and DES should explore using employee stipends to cut costs.

Providing a stipend to employees who use personal cell phones for state business could lower state cell phone costs beyond the savings we have identified. But transitioning to employee stipends requires considering more than just fiscal issues – a stipend policy would also affect public records requests and employee privacy.

OCIO and DES should compare the likely costs and policy implications of stipends with those associated with the current master contracts, the use of an optimization firm, adding prepaid plans to the master contracts, and turning in unused and little-used phones.

If employee stipends appear cost-effective and represent a viable policy option, OCIO and DES should instruct agencies on when and how to use them.

Minimize future costs through improved management

4. OCIO and DES should develop policy guidance for agencies.

To promote effective cell phone management, the OCIO and DES should provide central guidance for agencies. Goals should include limiting the total number of phones, monitoring cell phone use and costs, and educating employees on how to keep costs down. This guidance should direct agencies to update their existing cell phone policies or develop new ones.

Guidance should address such issues as which employees should receive cell phones, how to evaluate their need for a phone, which price plans would be the most cost-effective, how cell phone costs and use should be monitored, and when unused or underused cell phones should be turned in.

5. DES should work with a specialist to help state agencies manage and monitor cell phone services.

To identify unused and little-used phones and evaluate complex price plan options, DES should work periodically with a cell phone optimization firm. As a central service agency, DES could minimize the cost of optimization services while generating savings that would outweigh the upfront expense. To work successfully with such a firm, DES will need to obtain more detailed cost information than is now provided by cell phone vendors.

We believe that by using an optimization firm, Washington could achieve savings similar to the 28 percent attained in California.

Rob McKenna
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MEMORANDUM

DATE: October 7, 2011

TO: Director of Performance Audit
State Auditor's Office

FROM: **Janelle Guthrie**
Deputy Chief of Staff Janelle M. Guthrie

SUBJECT: **Cellular Audit Report**

The AGO received the State Auditor's report of cell phone and air card usage and billings for the reporting period of March 2010 through February 2011. The report showed that:

The AGO had 490 lines of service, categorized by usage into "Little", "Regular" and "Unused":

- Unused = 9
- Little Used = 77
- Regularly Used = 406

During the same reporting period, although not reflected in the report, the AGO had cancelled 90 lines of service:

- From Unused, 4 have been cancelled
- From Little Used, 23 have been cancelled
- From Regularly Used, 63 have been cancelled

Current practices indicate that the AGO is proactive and diligent in managing this resource in the following ways:

- In 2008, the AGO independently completed a comprehensive analysis of cellular usage and expenses. As a result of the analysis, the AGO revised its calling and data plans into a low-cost pool resulting in an ongoing savings of more than $120,000 per year.
- Agency management receives monthly reports showing those Blackberry devices that have not been used within the prior 30 days. Management reviews those considered little or unused and either keeps those that are appropriate for emergency preparedness and/or business need or cancels and repurposes them.
- Agency management reviews monthly billing statements and notes anomalies that may need to be addressed with staff (such as incurring fees or excessive usage beyond plan limits).
- The AGO moves devices, based on regular review of costs and fees, to the most cost effective calling and data plans as needed.
- The AGO periodically performs its own agency-wide usage analysis.

These regularly performed activities often result in the cancellation or repurposing of devices and maintain a high level of awareness to any unusual activity or usage anomalies to ensure resources are being used appropriately and within calling or data plan limits.

STATE OF WASHINGTON
OFFICE OF FINANCIAL MANAGEMENT
Insurance Building, PO Box 43113 • Olympia, Washington 98504-3113 • (360) 902-0555

November 15, 2011

The Honorable Brian Sonntag
Washington State Auditor
P.O. Box 40021
Olympia, WA 98504-0021

Dear Auditor Sonntag:

Thank you for this opportunity to respond to the State Auditor's Office (SAO) performance audit report on *Opportunities to Reduce State Cell Phone Costs* that we received October 25, 2011.

We appreciate the SAO doing this review on state cell phone devices and usage; we value the fundamental questions the audit examined, and the issue areas and recommendations suggested. As you know, state agencies are already taking extensive steps to make wireless communication more efficient, and Cabinet agencies have already reduced the number of non-critical cell phones. In addition, Governor Gregoire's November 4, 2011, directive to state agencies to improve government efficiency, including cell phone use, is another important efficiency measure already taken.

While the performance audit's fieldwork did not involve all agencies, the newly-formed Office of the Chief Information Officer (OCIO) within the Office of Financial Management, the new Department of Enterprise Services (DES), and other state agencies worked with the SAO to review and explain the data. The attached response includes information from the OCIO and from the departments of Enterprise Services, Social and Health Services, Corrections, Licensing, Transportation, Financial Institutions, and Labor and Industries.

The audit acknowledges legitimate exceptions and business reasons to retain certain phones that are little-used. While we share an interest in eliminating unnecessary phones, we also emphasize that, prior to turning in additional underused cell phones, agencies must determine whether they fulfill a valid business need such as phones reserved for use in emergencies.

In concert with Governor Gregoire's directive to improve government efficiency, we will evaluate the best options for managing cell phone use. We support the idea of exploring additional options. However, before making statewide policy decisions, we must fully understand the ramifications of any changes, including their impact on data security, records retention and public records disclosure.

Again, thank you for the opportunity to respond to the recommendations presented in the *Opportunities to Reduce State Cell Phone Costs* performance audit report.

Sincerely,

Marty Brown

Marty Brown
Director

Attachment

cc: Marty Loesch, Chief of Staff, Office of the Governor
Fred Olson, Deputy Chief of Staff, Office of the Governor
Bharat Shyam, Chief Information Officer, Office of Financial Management
Joyce Turner, Director, Department of Enterprise Services
Alan Haight, Director, Department of Licensing
Susan Dreyfus, Secretary, Department of Social and Health Services
Bernie Warner, Director, Department of Corrections
Paula Hammond, Secretary, Washington State Department of Transportation
Scott Jarvis, Director, Department of Financial Institutions
Judy Schurke, Director, Department of Labor and Industries
Wendy Korthuis-Smith, Director, Accountability & Performance, Office of the Governor
Stan Marshburn, Deputy Director, Office of Financial Management

Official State Cabinet Agency Response to the Performance Audit on Cell Phone Use

November 15, 2011

This coordinated management response is provided by the Office of Financial Management on behalf of the executive branch agencies. It does not necessarily reflect the views of separately elected officials, the legislative branch, judicial bodies, various independent boards and commissions, or individual colleges and universities.

ISSUE 1: Nearly one in three state cell phones was never used or minimally used last year, costing the state $1.8 million.

RECOMMENDATION 1: All state agencies should turn in unused and little-used phones unless they are required for emergencies or the safety of employees or the public.

RESPONSE. We agree that cell phones that are no longer necessary should be turned in, and that there are good business reasons for certain phones that have little use. Many agencies have already reduced the number of devices they use, both during the audit period and in the eight months since the audit period ended.

As of September 2011, agencies had already reduced, optimized, or found additional phones that had been turned in during the audit period. For example, for the agencies shown below, these actions resulted in over 2,600 fewer phones and $732,000 in annual savings:

State Agencies	Reductions	Optimizations	Reductions and Optimizations	Estimated Annual Savings
Department of Social and Health Services	1,113		1,113	$303,400
Department of Corrections	430	547	977	$258,722
Department of Transportation	58	206	256	$88,269
Department of Labor and Industries	142		142	$43,344
Department of Licensing	81		81	$21,119
Department of Ecology	42		42	$11,815
Department of Financial Institutions	21		21	$5,896
Totals	1,887	753	2,632	$732,565

In addition, the state has taken immediate and long-term steps to ensure all unnecessary communication devices are deactivated. On November 4, 2011, Governor Gregoire issued a directive for improving government efficiency that, among other steps, requires agencies to "reduce the number of cell phones and cellular devices where it makes business sense."

Specifically, the directive says agencies shall:

- Ensure assigned cellular devices and plans are necessary for business needs;
- Work with cellular contractors and agency employees to identify and deactivate unnecessary cell phones;
- Monitor and analyze monthly billing statements and usage reports to identify potential savings and efficiencies;
- Work with cellular contractors to ensure devices are on the best plans for the lowest costs;
- Eliminate land lines where appropriate;
- Identify appropriate reduction goals and develop performance measures; and
- By February 1, 2012, report reduction and optimization progress to the Office of the Chief Information Officer (OCIO).

As mentioned in the audit, there are many valid reasons to have phones and other communication devices that are not used or are little used during the course of regular business, including safety, emergency use, or to increase productivity. Often, these phones are not assigned to individual employees. For example:

- Several agencies have wireless devices (cellular data cards) needed by field auditors, investigators, and examiners to do their job.
- Several phones are assigned to vehicles so that an employee doing fieldwork can call for help in an emergency.
- Many information technology (IT) teams that provide critical functions, such as maintaining computer servers, have an "on-call" phone that rotates among the staff to alert them if there is a problem requiring immediate attention.
- Some phone numbers are not assigned to cell phones, but are for equipment that send data back to a computer system, such as the Department of Transportation's traffic safety devices.

Generally, the costs for these types of cell devices are minimal. Since the audit did not identify the business needs of little-used phones, agencies will need to evaluate a wireless device's business function prior to turning it in based solely on the audit criteria.

Action Steps and Time Frame

- Per the Governor's directive, the OCIO will compile information received from agencies to report further reductions and optimizations. March 2012.

ISSUE 2: Even for phones that are used regularly, state agencies can save by better matching phone plans with actual use.

RECOMMENDATION 2: The Office of the Chief Information Officer and the Department of Enterprise Services should expand opportunities for state agencies to use prepaid cell phone plans.

RESPONSE. We agree that agencies should try to minimize the cost of their mobile communications. While it will always be easier to determine the best option in hindsight, agencies can take steps to lower costs, and many already have. For example, as noted in the audit, agencies are taking advantage of lower-cost plans where many cell phones share a pool of monthly minutes.

While we agree with minimizing cell phone costs, we have concerns about some of the assumptions and conclusions about prepaid plans:

- Equipment costs. On many of the master contracts, state agencies receive free phones or devices, or get substantial discounts, in return for signing a contract. Most pre-paid plans require buying full-price phones; therefore, the hundreds of dollars saved on equipment could be more than the savings generated by not using a contract in some cases.
- Eroded buying power. To add prepaid options, the state would need to negotiate contracts outside of the Western States Contracting Alliance. Doing so would require resources to develop and maintain the additional contracts and lower the state's leverage by reducing our collective buying power.
- Legal Question. The law prohibits the state from paying for goods and services that it has not yet received (RCW 43.88.160). Pre-paid phone plans are not specifically exempted from this prohibition. Switching to pre-paid phone plans may require statutory changes by the Legislature.

The state will continue to explore all opportunities for the best service options. As stated in the Governor's directive, DES will work to ensure that cell phone master contracts include the best available cost-savings plans, and improve statewide contractor reporting to help lower costs.

Action Steps and Time Frame

- DES will evaluate the plans offered under the new Western State Contracting Alliance (WSCA) agreements scheduled to be in place during the second quarter of 2012 and determine if additional plans are needed. If additional plans are needed, DES will procure as required. Timeframe – Six months after completion of WSCA agreements.
- DES will assist its customers in determining which plan may best fit their needs.

ISSUE 3: Washington could improve its overall management of state agencies' cell phone costs.

RECOMMENDATION 3: OCIO and DES should explore using employee stipends to cut costs.

RECOMMENDATION 4: OCIO and DES should develop policy guidance for agencies.

RECOMMENDATION 5: DES should work with a specialist to help state agencies manage and monitor cell phone services.

RESPONSE. We support comprehensive efforts to contain cell phone costs. The steps already taken by many state agencies provide a solid foundation for expanding proven strategies statewide.

Employee Stipends. Many agencies have already looked into using this alternative to cut costs. The Department of Transportation is currently engaged in a pilot project to test the option. Other agencies have decided against it. Prior to statewide implementation, it is important to understand the potential risks and factors such as:

- Are there increased risks to the security of sensitive data or the state network?
- What are the risks to the state's ability to meet record retention and public disclosure requirements when personal cell phone records could be involved?
- Are there federal restrictions that would prevent programs from using federal fund sources to compensate employees for use of their personal phones?

- How would the increased diversity of cell phones impact IT set-up and support costs?
- What are the risks to employees from subjecting their personal cell phone records to public disclosure requests and/or legal discovery?
- How would the state collect usage data or monitor business use of personal cell phones to determine whether a stipend is warranted or cost-effective?

Policy Guidance. We agree that the new Office of the Chief Information Officer and the Department of Enterprise Services are well-suited to explore ways the state can adapt to changes in technology. We appreciate the report's recognition that many agencies are already effectively managing cell phones. For example, while the state does not routinely aggregate usage and cost data from all agencies, many agencies not only receive data on cell phone usage and costs, but also have processes in place to regularly review it and adapt to changes. Many agencies also have policies regarding cell phone management and are already using best practices. For example:

- The Department of Ecology (ECY) conducts regular cellular environment audits and reviews this data with each of the program areas. This review includes trends and rates. ECY meets on a regular basis with its cellular providers to ensure lowest rates and highest service levels.
- The Department of Licensing asks each division to review all assigned cell phones and smartphones by employee position and business need (e.g., employee positions that require 24/7 availability, conduct significant travel, or need a device for safety purposes). Managers and business areas review monthly billing and usage reports and make adjustments as needed.
- The Department of Financial Institutions periodically reviews its inventory and use of communication devices and accounts including cell phones, land lines, voice mail accounts, and token key fobs, and eliminates unnecessary devices and accounts.

Optimization Specialists. The success of other states in using outside consultants to optimize cell phone services is encouraging. The report does not include comparison information, such as how California state agencies managed their cell phone use prior to obtaining the outside consultant. Prior to hiring a cell phone optimization firm, we first would want to evaluate the upfront cost and understand how other states like California achieved overall savings. For example, hiring an outside consultant to optimize services could cost the state an average $2 per device, per month. In this case, it would cost the state over $500,000 per year for outside assistance.

Action Steps and Time Frame

- The OCIO will work with agencies to develop policy guidance for agencies. May 2012.
- The OCIO and DES will explore options and issues for using employee stipends. August 2012.
- DES will evaluate the benefits of establishing master contracts for optimization specialists and determine whether such services will be of value to the state. September 2012.

WASHINGTON STATE DEPARTMENT OF
Natural Resources

PETER GOLDMARK
Commissioner of Public Lands

November 15, 2011

The Honorable Brian Sonntag
Washington State Auditor
PO Box 40021
Olympia, WA 98504-0021

Subject: DNR Response to Cell Phone Audit

Dear Auditor Sonntag:

I write to provide Department of Natural Resources' (DNR) response to State Auditor's Office (SAO) Final Draft Performance Audit on "Opportunities to Reduce State Cell Phone Costs" dated October 25, 2011 (Audit). DNR thanks SAO for undertaking this Audit. Audit results have prompted DNR to carefully review all aspects of its cell phone use and will result in significant savings.

SAO's Audit identified 35 "unused" and 102 "little-use" cell phones operated by DNR during the 12-month period ending February 28, 2011. Since that date, DNR has canceled or suspended service for 31 of the 35 unused phones and 52 of the 102 little-use phones. The other 54 phones have been maintained. Common reasons for maintaining an unused or little-use phone include: the phone was reassigned to regular use, the phone is needed for safety or emergency preparedness although seldom used, or the phone is needed as part of critical work although seldom used. DNR is closely scrutinizing initial decisions in the latter category; this may lead to additional cancellations or service suspensions.

As follow-up to SAO's audit, DNR's Internal Audit Manager (IAM) reviewed the contracts and accounts governing DNR's cell phones. The IAM concluded that DNR can save approximately $33,000 per year by reducing the number of cell phone accounts from 43 to 4, and by adjusting payment options. This can be accomplished without changing service providers or compromising operational reliability.

DNR's IAM also reviewed use details for certain high use cell phones. The IAM identified 10 phones with suspicious use patterns over a 6-month period, April-September 2011 (i.e., large numbers of calls or text messages outside of normal work hours). I have directed the appointing authority within whose work group each of these phones is assigned to thoroughly investigate the phone's use and report back to me. That follow-up is currently underway.

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EQUAL OPPORTUNITY EMPLOYER

The Honorable Brian Sonntag
Page 2
November 15, 2011

DNR supports all of SAO's recommendations. However, in DNR's case, we feel that work carried out by the IAM combined with strengthened attention to cell phone assignment and use at the work-unit level obviates the need to contract with a cell phone optimization firm. DNR also suggests that SAO amplifies guidance regarding plans that "pool" air time; air time pooling appears to hold significant savings potential.

Again, DNR appreciates SAO's Audit. Good work!

Sincerely,

L.S. Young

Leonard Young
Department Supervisor

cc: Peter Goldmark, Commissioner of Public Lands
Ben Hainline, Internal Audit Manager
Randy Acker, Deputy Supervisor for Resource Protection & Administration

Appendix A: Initiative 900

Initiative 900, approved by Washington voters in 2005 and enacted into state law in 2006, authorized the State Auditor's Office to conduct independent, comprehensive performance audits of state and local governments.

Specifically, the law directs the Auditor's Office to "review and analyze the economy, efficiency, and effectiveness of the policies, management, fiscal affairs, and operations of state and local governments, agencies, programs, and accounts." Performance audits are to be conducted according to U.S. General Accountability Office government auditing standards.

In addition, the law identifies nine elements that are to be considered within the scope of each performance audit. The State Auditor's Office evaluates the relevance of all nine elements to each audit. The table below indicates which elements are addressed in this audit. Specific issues are discussed in the Results and Recommendations sections of this report.

I-900 Element	Addressed in the Audit
1. Identification of cost savings	**Yes.** The audit identifies several actions the state can take to reduce costs for cell phones.
2. Identification of services that can be reduced or eliminated	**No.** However, the audit identifies opportunities to reduce the amount of cell phone services purchased.
3. Identification of programs or services that can be transferred to the private sector	**No.** However, we recommended that the state contract with the private sector for phone optimization services.
4. Analysis of gaps or overlaps in programs or services and recommendations to correct gaps or overlaps	**No.** However, this audit did focus on unused cell phone services, which can be eliminated.
5. Feasibility of pooling information technology systems within the department	**No.** However, our recommendation for the state to contract with a wireless optimization vendor will result in centralized access to billing records.
6. Analysis of the roles and functions of the department, and recommendations to change or eliminate departmental roles or functions	**Yes.** The audit analyzes central oversight functions for statewide cell phone services, and recommends additional oversight and guidance.
7. Recommendations for statutory or regulatory changes that may be necessary for the department to properly carry out its functions	**Yes.** The audit recommends that the OCIO and DES evaluate whether statute should be modified to allow the state to purchase prepaid cell phone plans.
8. Analysis of departmental performance data, performance measures, and self-assessment systems	**No.** This audit did not focus on agencies' performance. It focused instead on whether agencies could reduce costs for cell phones.
9. Identification of best practices	**Yes.** The audit identifies practices that would lower costs for Washington cell phones.

Planning the audit

We chose to audit cell phone billings from three of four master contract vendors after reviewing summary-level information on state agency cell phone payments. We analyzed state agency expenditures in the state's accounting system, AFRS, to determine what portion of cell phone payments was made through the six master contracts. Then we reviewed quarterly billing reports provided by DIS to identify which master contract vendors provided the most service to state agencies.

Based on our analysis, we concluded that Washington buys most of its cell phone services through five master contracts with Verizon, Sprint, and AT&T. During the audit period, DIS administered three of these contracts through the Western States Contracting Alliance, while the other two contracts are Washington-specific. Only a small amount of state spending - about 1 percent - was for service through a master contract with T-Mobile.

Because Verizon, Sprint and AT&T were the largest carriers, we reviewed all billing information for these cell phone companies for a one-year period – March 2010 through February 2011. We decided not to include billing information from T-Mobile because payments to this company only made up a fraction of the AFRS expenditures that we analyzed.

To understand how Washington uses and pays for cell phone services, we interviewed staff members from the Department of Information Services (DIS), Office of Financial Management (OFM), the State Auditor's Office and the master contract vendors. We reviewed cell phone master contracts and price plan options under the contracts. We also searched state laws, DIS policies and state agency websites to identify any statewide guidelines for the use and acquisition of cell phones.

Criteria for unused and little-used phones

To define unused and little-used phones, we reviewed 19 business and industry reports about cell phone use. While many reports listed *typical* use levels, none listed standards defining *low use*. Based on these sources, we chose middle-of-the-road levels for voice and data use. These were a starting point for setting our low-use criteria.

Average monthly use			
Use type	**Voice minutes**	**Internet & email**	**Text messages**
Unused	None	None	None
Little-used	Less than 30 minutes, ***and...***	...Less than 1 megabyte ***and...***	...Less than 50 messages
Regularly used	At least 30 minutes ***or...***	...At least 1 megabyte ***or...***	...At least 50 messages

Then we looked in the billing data at use patterns across all state agencies to see how much voice and data subscribers used. We set the criterion for voice use to 30 minutes a month. We set the criterion for data use to 1MB a month. This works out to an average of about 12 text-only emails per week, or three emails with attachments every month. We applied this same average to text messages to arrive at 50 texts per month. We defined use types as monthly average use during the 12-month audit period as seen in the table on page 29.

Testing for data reliability

To make sure data was accurate and complete, we tested billing data for reliability. Specifically, we:

- Cross-checked vendor-provided data with quarterly billing summaries provided by DIS.
- Removed 291 phones with zero charges or net credits over the 12 months.
- Estimated taxes for Verizon billing records using the average tax rates from Sprint and AT&T phones.
- Removed phones that had less than three months use during the twelve-month period reviewed.

Analysis conducted in two phases

First, we identified unused and little-used phones and how much the state paid for them. Second, focusing only on AT&T phones, we asked how much the state could have saved if it had turned in unused and little-used phones and switched other phones to a prepaid price plan. In both phases, we evaluated only those phones that were active for at least 3 months during the 12-month audit period.

Phase 1: Costs for unused and little-used phones

After establishing criteria to identify unused and little-used phones, we analyzed billing data to find phones that met these criteria for all active months during the 12-month audit period. For each phone, we averaged use during active months to determine if it was unused, little-used, or regularly used. Then we totaled all charges and phone counts for each use category. We summarized our results by agency and as statewide totals.

We conducted an alternative analysis to identify savings that could result from a less stringent definition of **unused** phones. We redid our analysis with one modification. Rather than defining unused phones as those not used during every month of the 12-month audit period, we defined them as phones not used for at least three consecutive months. Applying this criterion, we looked within phones previously classified as **regularly used** to find additional phones that were unused for at least three months. For each of those phones, we totaled the amount paid for months when the phone was unused. Finally, we totaled charges for these phones to determine additional savings that would result from defining **unused** phones as those that were not used for at least three months, rather than 12 months.

Phase 2: Price plan comparison

To determine how much the state could save for **regular-use** cell phones by better matching phone plans with phone use, we analyzed the approximately 1,750 phones purchased through the AT&T master contract. We conducted this analysis only for AT&T phones because only AT&T billing data included complete information for phones on family plans. This allowed us to accurately calculate alternative costs under a prepaid plan.

For comparison with actual costs for each phone, we chose a prepaid plan in which customers buy credit in advance for voice and data. For voice minutes, users pay 10 cents a minute and must buy at least $100 of credit each year. For data, users can choose from several packages, which expire after 30 days. Data package options are:

- 10 MB for $5
- 100 MB for $15
- 500 MB for $25

To identify prepaid plan savings for each **regular-use** phone, we calculated the hypothetical cost under a prepaid plan. Then we compared this cost with the actual cost. If the hypothetical cost was lower than the actual cost, we calculated prepaid plan savings as the difference between the two prices. Otherwise, we recorded no savings for the phone, because such phones would have cost *more* if they switched to the prepaid plan.

To identify savings resulting from turning in unused and little-used phones, we identified the total amount spent on each phone during the audit period.

To identify the percent savings possible for **regular-use** phones, we calculated total savings, and divided total savings over the total amount actually spent.

Agency follow-up

To help identify what individual state agencies have done to reduce cell phone costs, OFM surveyed 25 cabinet agencies in September 2011. In all, 18 agencies responded to the survey. We summarized and reported the summary results of what those agencies had reported doing. We also interviewed officials from the Department of Social and Health Services and the Department of Fish and Wildlife, because they had been cited as using effective practices to control cell phone costs. We did not attempt to verify or substantiate information obtained from the 18 agencies responding to the survey or from the two agencies we interviewed.

Appendix C: Cell Phone Cost By Agency

Phone totals below include all phones that were active at any time, including those that were turned in during the audit period. For this reason, phone totals in the table exceed those on hand at any point. For instance, we reviewed 234 phones used by the Department of Revenue (DOR), yet monthly totals dropped from 217 to 175 phones over the course of the year. Similarly, DOR had 21 *unused* phones during the audit period, but the number of unused phones on hand dropped from 17 phones in March 2010 to 7 phones in February 2011.

State agency cell phone use, March 2010 through February 2011

Phones obtained through state master contracts with Verizon, Sprint and AT&T

	Total phones		Unused phones		Little-used phones	
State agencies	Number of phones	Annual expenses	Number of phones	Cost	Number of phones	Cost
Social and Health Services	4,284	$1,434,638	649	$196,803	1,327	$320,421
Transportation	3,233	$1,412,192	185	$45,002	594	$168,612
Corrections	2,176	$702,921	193	$40,178	513	$114,648
Labor & Industries	1,160	$516,161	107	$33,971	241	$73,867
University of Washington	958	$448,364	76	$27,704	199	$52,566
Fish and Wildlife	947	$381,826	58	$16,082	165	$36,111
Employment Security	723	$372,240	61	$22,683	144	$51,430
Ecology	716	$347,579	119	$19,842	118	$37,532
Natural Resources	695	$258,434	35	$5,905	102	$25,696
Washington State Patrol	685	$324,578	38	$12,722	93	$35,662
Health	513	$236,753	19	$5,026	111	$26,096
Agriculture	496	$291,781	18	$8,643	51	$17,119
Attorney General	492	$214,402	9	$2,338	77	$27,193
Military[1]	448	$191,175	124	$14,979	39	$13,789
Licensing	433	$158,949	71	$11,022	161	$40,032
Washington State University	353	$147,451	28	$7,967	80	$21,193
Eastern Washington University	308	$217,697	19	$8,193	43	$18,701
Parks and Recreation Commission	254	$92,055	15	$1,695	65	$16,881
Central Washington University	235	$139,170	7	$1,464	31	$7,799
Revenue	234	$107,626	21	$4,838	30	$9,358
Gambling Commission	188	$ 85,581	9	$3,333	24	$11,191
Liquor Control Board	182	$90,390	10	$2,419	13	$4,500
Financial Institutions	172	$83,195	27	$8,879	27	$14,797
Early Learning	163	$41,862	9	$1,191	55	$8,035
General Administration	154	$46,725	8	$1,000	34	$6,898
Information Services	146	$87,574	7	$2,032	19	$5,952
Financial Management	117	$67,852	3	$1,243	9	$3,199
Renton Technical College	111	$39,420	13	$4,615	66	$23,412
Lottery Commission	110	$56,672	2	$876	9	$4,026
Veterans Affairs	103	$43,851	5	$1,152	13	$2,949
Health Care Authority	72	$35,325	3	$1,069	19	$6,539

[1] Military Department officials said the agency has reduced the number of phones under state master contract by 60 percent since February 2011 by (1) transferring Army National Guard phones to the Army's NETCOM program and (2) reducing the number of phones assigned to the Emergency Management Division.

State agencies	Total phones: Number of phones	Total phones: Annual expenses	Unused phones: Number of phones	Unused phones: Cost	Little-used phones: Number of phones	Little-used phones: Cost
Superintendent of Public Instruction	71	$46,676	4	$2,135	5	$2,130
State Auditor	70	$41,949	3	$1,267	1	$873
Utilities and Transportation Commission	70	$38,599	9	$2,307	4	$2,246
Evergreen State College	67	$30,647	3	$1,141	27	$7,479
Criminal Justice Training Commission	62	$26,216	5	$725	22	$6,794
Services for the Blind	48	$11,918	7	$1,015	11	$1,595
Secretary of State	47	$16,291	7	$1,257	9	$2,405
Personnel	45	$25,112	2	$1,154	12	$5,451
Administrative Office of the Courts	43	$19,814	2	$1,008	7	$2,863
Everett Community College	36	$11,092	0	$0	9	$1,714
Puget Sound Partnership	33	$25,527	0	$0	0	$0
Retirement Systems	28	$13,946	1	$119	5	$1,591
Seattle Central Community College	28	$17,419	7	$462	5	$734
Community & Technical Colleges	26	$12,837	3	$1,141	1	$573
Lower Columbia College	25	$7,290	1	$126	11	$2,398
Governor	24	$15,984	1	$340	4	$2,264
Insurance Commissioner	24	$16,558	0	$0	5	$3,488
Green River Community College	19	$8,833	0	$0	8	$2,409
School for the Blind	18	$8,156	1	$493	4	$1,696
Higher Education Coordinating Board	18	$17,522	0	$0	0	$0
Workforce Training & Education Coordinating Board	17	$10,630	0	$0	2	$1,172
Printing	16	$4,285	0	$0	6	$1,828
Housing & Finance Commission	13	$10,561	0	$0	1	$432
Spokane Community College	13	$2,134	0	$0	11	$1,068
Treasurer	12	$7,487	0	$0	1	$65
Clover Park Technical College	11	$6,010	2	$1,047	3	$1,577
Walla Walla Community College	11	$3,110	1	$284	1	$264
Traffic Safety Commission	10	$6,216	1	$383	2	$1,192
Historical Society	9	$3,585	0	$0	3	$1,088
Tacoma Community College	9	$7,705	0	$0	2	$600
Archaeology and Historic Preservation	8	$4,872	0	$0	2	$1,087
Commerce	8	$2,952	0	$0	3	$714

	Total phones		Unused phones		Little-used phones	
State agencies	Number of phones	Annual expenses	Number of phones	Cost	Number of phones	Cost
Court of Appeals	8	$6,711	0	$0	1	$850
Edmonds Community College	7	$7,974	0	$0	0	$0
Fruit Commission	7	$12,766	0	$0	0	$0
Minority & Women Enterprises	6	$3,020	3	$1,128	0	$0
Public Defense	6	$1,322	0	$0	0	$0
South Puget Sound Community College	6	$ 6,377	0	$0	0	$0
Administrative Hearings	5	$3,492	0	$0	0	$0
Industrial Insurance Appeals	5	$1,173	1	$119	2	$264
Recreation & Conservation Office	5	$ 3,635	0	$0	0	$0
Western Washington University	4	$2,041	0	$0	0	$0
State Board of Accountancy	3	$2,751	0	$0	0	$0
Cascadia Community College	3	$2,577	0	$0	0	$0
Law Enforcement & Fire Fighters Plan 2 Retirement Board	3	$1,980	0	$0	0	$0
Lieutenant Governor	3	$1,631	0	$0	0	$0
Peninsula College	3	$2,264	0	$0	1	$732
Civil Legal Aid	2	$1,805	0	$0	0	$0
Highline Community College	2	$1,198	0	$0	0	$0
Indian Affairs	2	$ 2,973	0	$0	0	$0
Judicial Conduct	2	$63	2	$63	0	$0
Legislative Evaluation and Accountability Program	2	$923	1	$145	1	$778
Senate	2	$2,657	0	$0	0	$0
Actuary	1	$1,531	0	$0	0	$0
Growth Management Hearings Board	1	$477	0	$0	0	$0
House of Representatives	1	$825	0	$0	0	$0
Joint Legislative Audit & Review Committee	1	$858	0	$0	0	$0
Raspberry Commission	1	$898	0	$0	0	$0
Totals	**21,891**	**$9,230,294**	**2,015**	**$532,725**	**4,664**	**$1,268,620**

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The State Auditor's Office Mission

The State Auditor's Office independently serves the citizens of Washington by promoting accountability, fiscal integrity and openness in state and local government. Working with these governments and with citizens, we strive to ensure the efficient and effective use of public resources.