



**Office of the City Auditor
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City Auditor**

City of Syracuse
Mobile Communications
Audit

Introduction:

In December, 2008, the Office of the City Auditor began a performance audit of the City of Syracuse's policies, practices and procedures related to the use of mobile communication equipment and services; which included but was not limited to, cellular phones, BlackBerrys, personal digital assistants (PDA's), wireless internet air cards, and global positioning system (GPS) tracking devices. This review included an extensive analysis of all of the mobile equipment and service fees charged to the City of Syracuse, and posted against the City's General Fund and/or its related enterprise funds for the Aviation, Sewer, and Water Departments. The audit scope was later expanded to include mobile expenditures reimbursements paid through the Community Development Block Grant (CDBG) program for both Community Development employees and for recipient agencies.

During audit testing undertaken over the last several years, as part of the annual Comprehensive Audit of Expenditures, it became obvious that the use of mobile technology has grown at a substantial rate throughout City government.

The financial crisis that developed in the fall of 2008 has created obvious repercussions for New York State and it's smaller, more financially, dependent levels of government. These difficult economic times have fostered an atmosphere where much closer scrutiny over dollars spent is essential. As a result, the City's ballooning mobile expenses were an obvious and easily identifiable starting point, which is the first of several categories that are being considered by the Office of the City Auditor.

It would be foolish to suggest that what the City spends annually on mobile expenses would be the tipping point for balancing the City's budget. At the same time, it would be financially imprudent to down play total annual mobile expenditures when combined with several other highly visible areas of expense. With such a significant amount of financial resources being exhausted on mobile expenses, closer scrutiny over this expenditure should be seen in a positive light and be considered good management practice.

A preliminary review of the City's 2008 records indicated that the City of Syracuse spent close to \$300,000 in Calendar Year 2008 for mobile communication expenses for current and possibly former city employees. More than one in four (or 27.0%) employees have been assigned a City paid mobile device. In total the City has assigned in excess of 550 cellular phones, PDA's and BlackBerrys to City, and even some non-City, employees for the expressed purpose of providing timely communications. The justification for the heavy reliance on wireless cellular phones was portrayed as key to keeping the City operations running smoothly on behalf of City residents and taxpayers.

The Departments of Economic Development and Community Development which administers the Community Development Block Grants funding have eight (8) mobile devices. Of those eight (8) devices, all are being charged back against the Community Development Block Grant given to the City of Syracuse by HUD for anti-poverty funding.

In conversations with the Onondaga County Budget Department, the County is also working on a mobile device policy related to usage. The Onondaga County Budget Department stated that based on approximately 4,300 County employees, about 700 were assigned a mobile device. The concentration of use lies with the Onondaga County District Attorney's Office, the Probation Department, the Sheriff's Department, along with County nurses and case workers.

The estimated numbers given by the Onondaga County Budget Department reveals that nearly 17% of County employees have a County issued mobile device.

As the City Auditor began to research the City's mobile expenditures, it was determined that a review should be undertaken to establish the management aspects related to the expense, coordination, monitoring and levels of current reliance on mobile devices. Efforts were made, by the City Auditor, to determine which department was in charge of coordinating mobile device decisions City wide. To this point, a review of how effectively the City is managing decisions on mobile usage was integrated into the analysis.

Some of the questions raised by the City Auditor consisted of whether there is any staff dedicated to monitoring the accounts for overages, use of unapproved services, personal abuses, reviewing requests for upgrades, collecting mobile devices when an individual departs from employment, determining what's done with the equipment once it has been returned, and finally what are the current procedures for handling billing discrepancies, errors, long term outstanding balances and unresolved issues.

As a result, the Office of the City Auditor attempted to review the City's policy regarding mobile communications; if one existed, the documentation that accompany the purchasing of mobile devices, accessories, upgrades of service, etc. and the annual cost for mobile communications for the period under audit.

In addition to the actual cost and percentage of staff usage, questions related to management of the mobile devices were an important component of the audit. The absence of centralized controls has led to ballooning usage and waste. *The end product of the audit could be an opportunity for savings from a reduction in duplication of communication devices, eliminating unnecessary equipment accessories, cutting back on non-essential service features, and reducing the number of mobile devices in service by the City.*

This performance audit is authorized by Section 5-501(4) of the City of Syracuse Charter. The examination was administered in accordance with the *Government Auditing Standards*, issued by the Comptroller General of the United States and *Standards for the Professional Practice of Internal Auditing*, as circulated by the Institute of Internal Auditors.

These standards necessitate that the audit is planned and performed to attain a reasonable foundation for the judgments and conclusions regarding the function under examination. This review also included evaluations of applicable internal controls and compliance with requirements of law and regulations when necessary to satisfy audit objectives.

The management of the City of Syracuse, New York, is responsible for establishing, maintaining and complying with the internal control structure and for compliance with applicable laws, regulations and contracts.

This report is intended solely for the information of the Mayor, the Common Council and the involved departments of the City of Syracuse, New York, yet it is understood to be a matter of public record and its distribution is not limited. Further information regarding this audit is available at the City of Syracuse's Office of the City Auditor upon request. The City Auditor would like to thank the City departments who assisted and cooperated with us during our audit.

Background Information:

During audit testing for the last several Comprehensive Audit of Expenditures, the data that was reviewed indicated that several areas of cost were either growing at an unprecedented rate or had become a substantially greater percentage of the City's budget allotment. This ultimately led the City Auditor to open up a formal review of the City of Syracuse's policies, practices and procedures related to all mobile equipment and billing, for associated monthly services, incurred by the City. The time frame used for this performance audit was Calendar Year 2008.

The examination of documents received from various City departments and from the wireless vendors who provide equipment and services to the City, related to mobile communications, provided the Office of the City Auditor with an overview that includes the following.

In 2008, the City of Syracuse had 555 cellular phones, BlackBerrys, and PDA's; along with 57 additional mobile communication devices which consist of wireless internet air cards and GPS tracking devices, assigned to City employees, including some former and/or retired City employees, in eleven separate departments. The total amount spent by the City, during Calendar Year 2008, for mobile services and equipment costs totaled \$286,258.85.

In addition, it was also discovered that mobile expenses were also being charged against the City's CDBG program. Some agencies had budgeted for reimbursements to be paid to individuals for the use of their personal mobile devices and employees of the City of Syracuse have their mobile devices charged back against the CDBG funds.

With 2,055 City employees being identified for 2008, the saturation level is such that 27.0% of all City employees have been issued cellular phones, BlackBerrys, and PDA's. The Syracuse Police Department is one of the City departments with the heaviest reliance on mobile communications for its uniformed and administrative staffing. For example, there are 264 cellular phones, BlackBerrys, and PDA's being used by 617 employees resulting in a 42.8% saturation rate for the Syracuse Police Department.

With such a high saturation of mobile equipment, it would seem reasonable to assume that the City has a documented City-wide mobile communication policy in place. However in reality, the only City-wide policy currently in existence is the safety-oriented policy; which was revised in 2008 after the death of a worker at the Department of Public Works which was partially caused by the distraction of a personal cell phone being used on City property during work hours. See Attachment A for a copy of policy.

When the administration was requested to supply a copy of its mobile communications policy, the City Auditor was informed that all decisions relative to the need for and use of mobile communication devices are made at the departmental level. Standard City purchasing procedures govern all City purchases, including the acquisition of mobile communication devices, various accessories and services. Such procedures include departmental review and

approval of the purchase and use of available New York State contracts to obtain the best pricing and any available discounts.

Monthly bills are routinely paid as long as the total number of minutes allowed, by the relevant calling plan are not exceeded. In such cases, there would be no additional charge associated with any personal use. As a result, questions raised by the Office of the City Auditor relating to employee reimbursements being requested and processed for personal use, were seen as a non-issue.

The Office of the City Auditor was informed by the administration that if monthly bills deviated from the norm, the department's account clerk would research the reason and pursue appropriate action. If overages were caused by excessive personal use, then corrective action could include counseling the employee, seeking reimbursement if warranted, or revoking cellular privileges.

However, it should be noted that in conducting interviews to gather background information, the Office of the City Auditor was advised by city staff involved in the reviewing and payment of monthly mobile invoices, that another action is typically taken. Specifically, the Office of the City Auditor was informed that if an employee routinely exceeds their plan minutes the action taken is to upgrade the individual to a more expensive plan containing a larger amount of minutes. Whether overages are actually researched and found to be of a personal nature or for business purpose is both unclear and undocumented and is not necessarily a consideration in upgrading the plan.

All monthly mobile invoices, which contain itemized usage and service details, are received, processed, and maintained at the departmental level. Mobile invoices, similar to all vendor invoices, are reviewed prior to authorizing payment; according to responses received from the administration. Review of the detailed invoice and supporting documentation is typically the responsibility of an account clerk. However the department head, or their authorized designee, receives only a copy of the summary invoice to review prior to authorizing payment; reducing the potential for the department head to review the detailed mobile usage.

As stated by the administration, all efforts to resolve outstanding balances, errors, credits and misdirected payments are handled within the individual departments, typically by an account clerk. The Purchase Division only gets involved with outstanding balance issues, if the issue relates to the interpretation of State contract provisions. However, after the audit staff reconciled the City's general ledger against the mobile vendor payment history, it was discovered that multiple departments had been carrying un-reconciled outstanding balances for as much as 2½ years.

The question was asked what the City does when a mobile phone needs to be replaced because it is broken or when a new phone is issued. The answer provided was: "Broken cell phones are considered valueless. In the past, the City was required to and did include such phones in the City's regular surplus property auction. However, with the recent changes in our property disposition procedures, as authorized by the Common Council, these broken items are now donated to charity and are no longer auctioned."

When asked what is done with cellular equipment that is eligible for an annual upgrade or is upgraded for an other reason, the Office of the City Auditor was advised that, "...if the old equipment is still serviceable and in better condition than other phones in the inventory, it is

passed down for use by another employee. Otherwise, it is considered surplus and evaluated for auction or donation.”.

When additional questions were asked relative to employees being absent from work due to illness and/or injury and the handling of assigned mobile phone equipment when an individual separates from employment, the Office of the City Auditor was informed that an employee absent from work, for an extended period of time, “typically retains the cell phone” and “as part of the standard exit interview prior to receiving their final paycheck, a terminated employee must return all equipment issued by the City, including all cell phones.” However, in conducting interviews with various departmental staff, who process monthly mobile invoices, this has not always been the case as some employees have been allowed to retain their city cell phone equipment and service upon departure from City employment.

The Office of the City Auditor also inquired into procedures in place, if any, regarding employees who requested a mobile phone, PDA, additional accessories &/or service upgrades at their own expense. The response received was, “...the administration was not aware of any such requests or arrangements.” When asked follow up questions about procedures in place for billing back employees, applying reimbursements, and what to do with alleged employee purchased equipment when said employee retires or separates from employment with the city; the Administration responded with “...they did not apply.”

However, conversations with staff handling departmental billing for have indicated that at least several recent retirees have taken mobile equipment with them when they left employment with the City. The Office of the City Auditor was informed that in these cases the individuals were thought to have paid for the mobile devices themselves. As an example where this practice was found to be most common, the staff interviewed in the Syracuse Fire Department, stated that individuals in that department have been allowed to use their personal credit cards to obtain their choice of wireless equipment whose monthly service and usage fees are being billed directly to the City. In addition to the confusion initiated by this practice, personal payments for equipment purchases have not been properly documented or tracked and monthly mobile invoices have not been accurately reconciled for several years. In spite of years of un-reconciled balances, the administration has taken no action to determine the root cause of this issue.

It was conveyed to the Office of the City Auditor that as these individuals left or retired, they took their devices with them since their perception was the devices were not the property of the City. No action was taken by the department when the items were taken, since they were never perceived to be City-owned equipment. Using this logic, upon separation, the monthly usage billing should be removed from the City’s service accounts, and transferred over to the personal accounts of the former employees, which did not consistently occur. As indicated above some employees in various departments were allowed to retain their city paid mobile phone service.

The administration was asked again about the policy used at separation and the response was that neither the Personnel Office, which is centrally involved in the exit interview process, nor the City’s administration was aware of the practice of permitting former employees to take devices upon departure; and that any decision made that provides for this exception would have been made at the departmental level. Obviously this is an area of concern to the Office of the City Auditor. Allowing a practice like this to continue does not provide a desirable level of control and risk avoidance for a number of reasons, as will be noted later in the Findings section of this report.

The Office of the City Auditor inquired about the methods employed by the City to comply with Internal Revenue Service requirements relative to mobile phones. Information taken from IRS websites, stated that cell phone expenses provided by government entities to conduct business, fall under the heading of Listed Property under the Internal Revenue Service Code, which raises special tax concerns.

Because employees may use them for business as well as personal use, the employer must have some method to require the employee to keep records that distinguish business from personal phone charges, in order to be able to exclude such use from taxable income. The IRS information also suggested that, at a minimum, employees having an assigned cellular phone should be keeping a record of each call and its business purpose. This information should be submitted to the employer, who must retain these records to support any exclusion of phone use from the employee's wages.

City employees interviewed by the Office of the City Auditor appeared to be unfamiliar with the potential tax implications related to mobile phone use supplied by employers. *The Federal Government article reviewed by the Office of the City Auditor, suggested the possibility that the City is non-compliant with existing Internal Revenue Service regulations.*

The administration noted that the expenditures for mobile services, like all City expenditures, would normally be subject to review during the annual budget process.

Scope:

The review was performance in nature and was executed to provide an independent assessment of the following:

- A review of the policy utilized by the administration for the issuance and monitoring of wireless and cellular equipment.
- Obtain billing information from vendors on the number of pieces of wireless equipment included in various accounts, types of plans used, etc. so as to determine the City's reliance on wireless communications.
- Review of Calendar Year 2008 expenditures for this commodity. How many pieces of equipment were in operation during the audit period? What percentage of City employees were assigned wireless phones?
- Gather Background Information:
 - A) Determine how the wireless phones were monitored for usage, billing accuracy, errors, and unresolved issues. Is there anyone monitoring for abuses or excessive personal use of City equipment or service?
 - B) Determine that the appropriate departments are responsible for management of assigned cell phones. Are certain departments being required to be the "office-of-record" for phones used by other departments? Is there adequate justification for overlapping and convoluted monitoring? Is sufficient control maintained under such circumstances?

- C) Develop spreadsheets detailing costs, options/plans provided, specific equipment, and features.
- D) Review for compliance with external governmental requirements, in particular, after having raised questions about the City's reporting to the Internal Revenue Service relative to the assignment of take home vehicles, the City's mobile policy was examined for compliance to IRS Code.

Methodology:

To reach this assessment, the Office of the City Auditor held discussions with a number of individuals from City of Syracuse departments and with Verizon Communications to get a better understanding of the wireless communications services obtained by the departments using Verizon as their vendor. The Office of the City Auditor also obtained information about the City's Sprint/Nextel accounts from other departments that are using Sprint instead of Verizon. Both vendors are available through New York State contracts, and the choice of which vendor to be used has been left to the discretion of each department.

The sometimes contradictory answers received to the same or similar questions that were posed to departmental staff during the interview process led the Office of the City Auditor to wonder how such varied responses were possible. Additional contact was made with administrators to clarify this confusion and through the follow-up inquiries it became increasingly evident that many of the decisions affecting wireless usage were getting decided at the departmental level with little to no guidance from management; the lack of a centralized uniform policy became an obvious part of the answer to the confusion.

The analysis and the interviews that were conducted assisted the Office of the City Auditor in assessing the City's reliance on wireless cellular equipment. Both employee perceptions and actual comparative data provided an over view of how the City has been incorporating technology into its operations. Additionally, information was received from other entities contacted on their use of wireless communications for comparative analysis.

Conclusions:

In reviewing the organizational environment of the City of Syracuse as it relates to mobile communications and becoming familiar with current practices and operational aspects of the management of mobile devices, the first questions the Office of the City Auditor looked to answer were are there adequate controls in place for monitoring the City's mobile communications, and was the Office of the City Auditor able to confirm that there was a framework in place for effective management of this component of City operations.

In anticipation of either of these questions having a negative response, the next question was could the Office of the City Auditor provide an assessment that would assist the administration to gain better control and generate savings with improved coordination of the City's reliance on mobile communications.

The recommendations, observations and findings that follow are submitted with the hope that the administration and the Office of the City Auditor can find common ground in approaching the issues highlighted in the following pages.

It is the opinion of the Office of the City Auditor that the City currently lacks adequate internal controls in the management and monitoring of mobile communications. The absence of uniform

responses to basic questions asked of staff reflects the choice made by the administration to let managerial determinations be made at the departmental level.

The administration, in reporting that all decisions relative to the need for and use of wireless and other mobile data equipment assignments are normally made at the departmental level, stressed that the City always complies with standard purchasing standards and has, in most past cases, obtained best pricing under New York State contracts. The Office of the City Auditor acknowledges that the City is conforming to standard practices regarding purchasing. This is not the issue of primary concern; to ensure the point does not end up lost, the intent of the questions was to gauge the internal control of mobile equipment and services obtained, generally recognized as risk focus analysis.

The extent to which the City is exposed to risk and abuse is substantial when one considers the following facts. In 2008, the City of Syracuse assigned 555 cellular phones, and 57 additional mobile communication devices, to City employees in eleven separate departments, including some former and/or retired city employees. Approximately 27% of the city work force has use of a mobile device compared with 17% of Onondaga County employees. Additionally, the extensive saturation is reflected by one larger City department that has a percentage of employees using City cellular equipment of 42.8% and has requested a significant addition to equipment in the 09/10 budget.

The varied responses also reflect a lack of uniform and centralized procedures which would normally give structure and guidance to City departments for the utilization of mobile equipment. The first conclusion reached from the review of existing practices is that the administration takes corrective action as soon as possible to establish a written City-wide policy which would thereafter provide a framework for efficient management over mobile communications.

Lacking such corrective action, there will continue to be control problems associated with a significant expense item. This statement has been given affirmation by subsequent events noted by the Office of the City Auditor as it was concluding the review of 2008 data. First, between December, 2008 and March 2009, the Syracuse Police Department added 28 additional new cell phones with an estimated annual cost increase of \$10,932. Additionally, the Syracuse Police Department has submitted a proposed 2009/2010 budget request that includes 110 new mobile internet service devices (air cards) for police vehicle laptops, adding another new cost of \$56,760 annually. The Police Department will argue that vehicle laptops are more efficient for the department. Regardless of which department is referenced, the baseline question is Will the ultimate decision to expand mobile devices be made with an understanding of how the expansion of one department's needs fits into the City's reliance on cellular technology.

The Office of the City Auditor can not directly speak to the critical need of any one department to have mobile phones, air cards, or hand held BlackBerry type devices. However, the sharp increase in requests just between January and March of 2009 underscore that the City is over reliant on mobile device use.

Further supporting the assertion that there is a need for a written policy manual or procedures outline, it was noted that as word spread about the audit in progress, City employees started asking the staff from the Office of the City Auditor questions related to policy on replacing older cellular phones, cancelling personal cell phone contracts, using their City devices for personal use, and similar related questions. It is evident that when employees are turning to the Office of

the City Auditor's staff for assistance in such matters, there clearly is a communication breakdown within City government, and lack a defined policy.

Attached are several summary charts prepared by the Office of the City Auditor as part of the information gathering process. The first chart, Attachment B, shows the breakdown of mobile devices by each of the eleven City departments using mobile equipment. (Please note that Code Enforcement is a Bureau within the Community Development Department; however, due to its substantial reliance on mobile devices, it has been separated from the rest of the department.) Detailed are the various types of mobile equipment included in the audit – cell phones, BlackBerrys, PDA's, air cards, GPS's, and the number of each type assigned to each individual department.

The second chart, Attachment C, provides the detail, again by the same eleven departments, for the annual mobile communications cost for the period covered in this audit, Calendar Year 2008. The \$286,259 is broken down by categories such as monthly service, equipment, voice overage, texting, downloads, etc.

The next chart, identified as Attachment D, summarizes by month and department the cost of the 612 wireless units used by City staff in 2008. The Office of the City Auditor has concluded that the information contained in these charts support the observation that the usage of mobile communications has continued to expand unchecked due to a lack of centralized planning and control by a designated department. This conclusion is supported by a number of observed and reported examples of inadequate controls that were noted by the Office of the City Auditor while gathering information for this report.

One of the more troubling discoveries relates to the confirmation that former City employees have had usage of mobile devices paid by the City. For example, an employee who has been separated from the City since November, 2007, was still using mobile services billed to the City up to October, 2008. On January 29, 2009, the City Auditor personally dialed the telephone number billed as a City account and reached the former employee who was still using that same telephone number for his personal phone service. It remains unclear what transpired between October, 2008 and the subsequent call in January, 2009, which permitted this individual to use a city number.

It was reported that several department heads retired over the last six months, taking with them BlackBerrys and various other mobile devices. The presumed ownership of these devices is unclear, and the case has been put forward that the items are the property of the departing individuals. It is acknowledged that there was no confirmation located to suggest that the City of Syracuse was charged for the equipment, but whether the equipment was provided based on the City-Vendor contract or was in fact part of a personal initiative of certain employees is equally uncertain. There will be additional comments on the retention of pieces of wireless equipment later in this report.

Another instance of how there is a lack of a well-thought out approach to managing mobile technology was observed at the Code Enforcement offices. Staff from the Office of the City Auditor was informed that there are cell phones sitting on secretaries' desks, alongside their land line telephones. It was reported that the inspectors frequently did not answer their mobile phones when they were unable to identify the caller, which would consistently be the case for any calls made from City of Syracuse land lines. The inspectors would answer calls when they came from the mobile phone numbers that they recognized as departmental cell phones. This needless

redundancy is the type of situation that centralized management would address and hopefully correct, instead of wasting departmental resources for unnecessary and duplicate capability.

As a final example of unnecessary expenses, the Office of the City Auditor was informed that when an employee leaves a position, which will be filled at a later date, the mobile phone that was originally assigned was not deactivated or suspended, as one might expect. Instead the phone was stored in a cabinet and service was not suspended nor canceled to save costs. The department's reasoning for keeping the phone active was to retain the same phone number so that other employees did not have to update their phone books. The City Auditor notes that many mobile phone companies allow one to put their service on suspension status at a reduced rate and retain the same number.

As previously noted in the Background Information Section, there appears to be a reasonable question still remaining as to whether the City is in compliance with the Internal Revenue Service Code based on the parameters in place for wireless mobile phones assigned to City employees. It is recommended by the Office of the City Auditor that the administration determine which department is best suited to investigate and ultimately take ownership of any IRS reporting requirements that may exist.

Similar to the situation examined in reference to the City procedures for take home vehicle reporting, where it was noted that the payroll unit of the Department of Finance served as a clearing house and used IRS publications for direction. The City may decide that the Department of Finance is best equipped to assume this responsibility for mobile phone usage. *There is a need to be proactive in this issue rather than waiting for Internal Revenue to find the City in violation of existing IRS requirements.*

Community Development Block Grant

CDBG is a program which is locally administered program designed to fight blight and poverty. It is intended to address the community's housing and community development needs, goals and objectives¹

There were two findings that concerned the City Auditor upon disclosure. The first related to employees of the City having mobile devices charged back to the CDBG program. The second is related to the recipient agencies billing CDBG program for mobile device services.

1) The City of Syracuse charges back the expenses of 8 mobile devices used by city employees to CDBG funding. The charges are billed back as Technical, Professional Services and Equipment Rental to the CDGB Ledger. According to an article, attached, in The Buffalo News, HUD has stated that using block grant money for such devices is permissible, provided that it relates to work eligible for reimbursement under the program. However, the City does not require employees to track personal versus work use and there is no way to determine if the City of Syracuse is in compliance with HUD's position.

Additionally, it is the opinion of the City Auditor that the City should not divert any federal funds for operational expenses such as mobile devices. More appropriately, the cost associated

¹ See COMMUNITY DEVELOPMENT BLOCK GRANTS report issued by the City Auditor on September 2004

for the assignment for such tools should be charged to the City's operational budget, regardless if one feels the total cost is material or immaterial.

2) The Office of the City Auditor sent out questionnaires to thirty-five non-profit groups who receive various types of funding through the City of Syracuse Community Block Grant, which is administered through the Office of Community Development. Twenty-five of the agencies responded while ten failed to respond.

The following ten recipients of aid failed to respond: **Syracuse Golden Gloves, Greater Syracuse Tenant's Network, North Area Athletic & Education Center, Rescue Mission, Southwest Community Center, PEACE, NEHDA, Fair Housing Council of Central New York, EMPIRE Housing and Development and SMNC, Inc.**

The City Auditor reminds these ten organizations that they are receiving Federal Aid administered by the City of Syracuse and as such, must respond to inquiries from the Office of the City Auditor. The agencies noted are recipients of public monies and therefore, the use of this funding is public information. The City Auditor has a fiduciary responsibility to review the use of City funds, including those provided to non-profit organizations, and expects that inquiries coming from the Office of the City Auditor will be complied with by any organization receiving City funds or other funds administered by the City.

Of the twenty-five respondents, two stated that they received reimbursements for mobile devices while twenty-three stated they did not. The two agencies receiving reimbursements are Jubilee Homes and the Spanish Action League.

The Spanish Action League stated that they submit a bill to Community Development Department of the City of Syracuse for reimbursement. They base their reimbursement on a formula as follows: They factor the percentage of the bill chargeable to each of their grants by determining the prorated costs based on the number of full time employees chargeable to each grant divided by the entire full time employees of Spanish Action League. Currently they are calculating allowable charge back to be 1.64% of their bill for a total of \$838.69 a year.

Jubilee Homes responded that the organization charged back for mobile phone usage via a line item in their budget that was approved by the Board of Directors for Jubilee Homes. However, the City Auditor concludes that there are several issues needing correction relative to the relationship between the City of Syracuse and Jubilee Homes.

Jubilee Homes informed the Office of the City Auditor that "... Executive Director is the only assignee for usage for the mobile device." The records at Community Development show a totally different set of circumstances as follows:

- a) Community Development is reimbursing Jubilee Homes for two (2) mobile devices from General Ledger Account # 4258-033, at a cost of approximately \$195.00 per month.
- b) Community Development is also reimbursing for a third, Jubilee Homes, mobile device from General Ledger Account # 4258-1-033; which Jubilee Homes has records on their books as "miscellaneous" expense.
- c) Checks to T Mobile are authorized and signed by both the Executive Director and Secretary Treasurer of Jubilee Homes.

- d) The voucher reimbursement requests from Jubilee Homes are submitted to the City and approved by the Commissioner of Community Development on behalf of the City of Syracuse's CDBG program.
- e) The Commissioner of Community Development, for the City of Syracuse, is also serving as the Treasurer for Jubilee Homes. In the role of Treasurer, this individual, along with the Executive Director of Jubilee Homes, signs the checks issued to vendors.
- f) In the roll of Commissioner of Community Development this individual recommends to both the Administration and Common Council which agencies should receive CDBG funding, in addition to being the sole authorized signor approving the issuance of all CDBG disbursements.

The City Auditor concludes that it is inadvisable for the Commissioner of Community Development to continue in the dual roles cited above as it is both a conflict of interest and obviously inappropriate for him to continue with both titles.

Findings And Recommendations:

Findings:

Finding #I: The City Has No Procedures Manual Or Written Policy To Manage Mobile Communication Usage

In the process of gathering information, the Office of the City Auditor was informed that the City of Syracuse had neither a procedures manual, nor a written policy for the management of mobile communications equipment. This accounts for the inconsistent procedures existing between departments interviewed. With no policy to give guidance, there is no monitoring for abuse or waste that is substantive. This situation clearly contributes to the increased saturation of mobile phones, BlackBerrys, and PDA's – better than one in four City employees had an assigned wireless device during 2008.

The need for a comprehensive policy that speaks to the rationale for assigning City mobile equipment, outlines a uniform procedure for ordering equipment and accessories, sets the standards for monitoring use of equipment, and provides the expectations for departmental reconciliation of all billing is essential.

Recommendation: The City administration should start working as soon as possible on a strategy for developing a written City-wide policy for its wireless communications and establishing a management plan for coordinating and controlling the City's costs and dependency on cellular technology.

Finding #II: The City Does Not Have A Single Department Or Unit To Coordinate The City's Mobile Communications Needs

Instead of driving down the decision making to the departments, the administration needs to elevate it to a higher place within the organization. The Office of the City Auditor found multiple examples of inadequate monitoring of mobile services, selected at the departmental level without coordination by management, and inconsistent reviewing and payment practices.

It is our suggestion that the Office of Management and Budget would be a logical choice to coordinate and execute the mobile device policy, monitor usage and be the department to make final determination to grant new devices and accounts. The role would be to assume a management role and take ownership over the City's wireless usage.

Whether the administration agrees with this suggestion, or decides that such authority is better housed elsewhere in the organization, the main objective is to move the decision making up to an independent separate entity and relocate it up from the departmental level.

Critical components that need to be decided and incorporated in a newly produced procedures manual are: a written explanation of what the City's policy is that permits the use of a business tool for the employee's personal use (if personal use is going to be allowed) and the tax implications to employees who are provided equipment with the understanding that the equipment CAN be used in some reasonable, pre-determined way for personal use. The policy should detail what the City expects from the individuals given City cellular phones, how usage will be monitored

Recommendation: The City administration should start working immediately on centralizing authority for cellular activity and housing in a department/location that proves for the best over sight of this function. The main goal should be to provide an independent unit that makes sound decisions on behalf of the City as a whole. The Office of the City Auditor strongly suggests that any centralized managerial role have as an integral part a strong monitoring function to insure that any abuses brought to light are corrected and consistency is maintained as part of the decision making process.

Finding #III: The City Should Provide All Wireless Equipment Used For Business Purposes And Not Participate In Arrangements Allowing For Devices To Be Kept By Retirees Or Separated Employees

In light of discovery that retiring individuals had left City service with wireless devices utilized as part of their employment, and the lack of clarity as to how the cellular equipment had been obtained, serious questions have been raised about City information being compromised. The equipment and the information contained on City assigned wireless devices should be viewed as proprietary, and therefore non-transferable.

Recommendation: The City should determine whether any additional situations exist where an employee would be making the case that they are using personal equipment for City purposes, and immediately terminate such existing arrangements. Going forward, the City's Policy for Wireless Communications should stipulate that only City assigned and owned equipment can be used for City business in order to maintain full and complete control over City data and information.

Finding #IV: The City Needs To Resolve Both The Conflict Of Interest Existing Between Jubilee Homes And The Department Of Community Development And Clarify The Correctness Of The Reimbursement Payment Structure

For the City of Syracuse and Jubilee Homes, an apparent conflict of interest exists because of the overlapping of one person in the two non-compatible roles of Treasurer for the funded agency and the role of Commissioner of Community Development for the City. There can be no suitable explanation for continuing a situation where one person serves in two capacities where a

segregation of duties is essential to adequate controls. This situation must be addressed without delay to eliminate the conflict.

Additionally, the contradiction between the situations reflected by the action taken by the Board of Directors of Jubilee Homes to provide only the Executive Director with a cell phone versus the reimbursement records at Community Development needs to be rectified. If only one cell phone has been approved by the Jubilee Board of Directors, Community Development should not be paying for three. The City needs to evaluate if monies were previously paid in error and need to be returned to the Community Development Block Grant, which is the funding source.

Recommendation: The City should initiate an immediate review of the cellular reimbursement arrangement entered into with Jubilee Homes to verify that all aspects of the relationship are legal and proper.

Finding #V: The City Needs To Review The Relationships With Non-Profit Organizations Being Reimbursed For Cellular Telephones

The information received back from the two agencies, the Spanish Action League and Jubilee Homes - both currently reimbursed from the Community Development Block Grant through altogether different formulas, strongly indicate a need for the City to revisit the basis for funding cellular telephone costs for these non-profit organizations.

Recommendation: Given the disparity of the formulas used of reimbursing the two non-profit agencies that are funded by the block grant, a review of the contracts or understandings between the City and the agencies is needed. A singular consistent method for providing support would provide consistency and make far more sense than the current methodologies employed.

Finding #VI: The City Should Constitute A Policy On The Practice Of Employees Discontinuing Home Telephone Service Or Private Cell Phone Service After Receiving City Cellular Equipment

Staff from the Office of the City Auditor discovered during interviews they conducted that City employees reported that they terminated their home telephone accounts based on being assigned City equipment, having determined that the assigned devices could be used for personal use. In one case reported to the Office of the City Auditor, a department head who had recently been assigned a cell phone disconnected a home phone.

Recommendation: The City should first determine the parameters for personal use of a wireless device provided by the City, as part of its own comprehensive policy, and in a manner that conforms to Internal Revenue Service Code. Once that determination has been made, it should let employees, particularly those who are so important to the organization that they are selected to be assigned City cellular phones, know what is expected from them so that they can remain in compliance with stated policy.

Finding #VII: The City Has Insufficient Documentation Trail For Assignment Of Cellular Equipment/Services

The Office of the City Auditor discovered that written managerial approvals, such as signed purchase requisitions are not consistently prepared, and as departments continue to expand their ability to directly access vendors via telephone, and e-mail (and soon, over the internet), it is

increasingly difficult to keep an accurate, comprehensive listing of which City employee has what equipment. Some departments have actually allowed individuals in the department, other than the departmental liaison, to contact a vendor directly to order their own equipment. In many cases it was found that the lists for employee assignment of mobile equipment and accessories have not been kept current. When not maintained in a timely manner, this situation can add to the impression that City equipment is being supplied to non-City employees.

To obtain much of the detailed data included in this report, the Office of the City Auditor had to contact vendors directly and analyze account information originating from each vendor. This was subsequently reconciled against the billing information obtained from the City departments. As a result, much questioning and referencing back to source information was required to get an accurate data base list of mobile equipment and assignments.

Since virtually all the City's mobile equipment falls under the threshold for inclusion in the inventory of the City, as mobile phones are typically provided at no cost as part of a mobile account plan, and other phones and BlackBerrys cost \$99 or less as promotions and are not required to be inventoried), there is no complete listing of cellular equipment to work from by accessing any master listing of inventoried items, and even departmental inventory lists are wanting.

Recommendation: The City should know relevant details for each cellular piece of equipment when in use or when a particular item has been taken out of service. This responsibility belongs housed in the unit created for the coordination of cellular activity. A master listing should be maintained that ties back to the account information kept by vendors. Individual employees should not have the authority to order their own equipment, which is a glaring example of diluting effective internal controls and does not fit into a well-thought-out management framework. Employee assignment logs should be accurate and up to date.

Finding #VIII: City Should Eliminate Any Redundancy Existing Where Both Land Line Telephones And Cellular Communications Equipment Constitutes Needless Duplication

As mentioned in the Conclusion Section, during interviews of staff it was discovered that in the Codes Enforcement Office cellular equipment that should have been deactivated was being used for an undetermined length of time to contact people in the field, who reportedly would not have otherwise answered their cellular phones. One of the reasons the staff in the field were provided cellular equipment was to make them accessible. Deciding to not answer calls because they are not able to identify the caller should not be continued as an acceptable practice, especially when it is assumed that a majority of those attempting to reach them are the fellow City employees who know their telephone numbers and have a reason to contact them.

Recommendation: The City should make timely management evaluations for cellular equipment taken out of service to determine how long it will take to reassign a piece of equipment. If there is the possibility that such reassignment will not be concluded in a relatively short period of time, the equipment should be deactivated and stored in a secure environment until the equipment is needed, instead of paying unnecessary monthly usage charges. Additionally, there should be a section included in the recommended Procedures Manual that speaks to the expectations placed on the individuals in answering their cellular phones, especially during the normal working hours of the week.

Finding #IX: The City Should Decrease The Number Of Situations Where One Department Is Managing The Wireless Communication Matters For Other Departments

There were a small number of cases where one department, for one reason or another, was managing the cellular matters for other City departments. This practice is not encouraged since there are a number of errors and problems that can easily develop and this type of arrangement can be a vulnerable area susceptible to fraud. Other problems identified include the confusion of trying to keep current on the employment status of assigned users (i.e. has an employee left the City, or perhaps left and taken a City cellular phone that belongs to the City and not the individual), determining what, if any, corrective action or counseling may be needed based on a number of potential issues (i.e. too much personal use), and who should be initiating the action.

Recommendation: The City should review the areas where these cross-departmental relationships exist and reduce the number of such arrangements to those that are absolutely necessary and eliminate the others. It is the position of the Office of the City Auditor that to the fullest extent possible wireless communications equipment and accessories should be assigned, budgeted, and paid for these by the correct department in order to properly allocate the expense and to maximize the City's ability to efficiently monitor usage.

Finding #X: The City Lacks A Standard Procedure For Maintaining A Log For Assigned Accessories That Employees Must Return When Surrendering Their City Issued Cellular Equipment

The conclusion reached by the Office of the City Auditor is that no City department maintains a full and accurate log of equipment and accessories assigned to each individual. This results in the unnecessary replacement of accessories – including items such as belt clips, air cards, headsets, and car chargers – each time a piece of equipment is reassigned from one person to another, or when an individual leaves City employment.

Recommendation: The City should develop process for maintenance of departmental logs for all the equipment AND accessories for each employee who has been assigned a wireless device. This will provide a listing that can be instrumental in collecting back all the items that were provided between the time of the original assignment of a cellular phone or Blackberry and the point of reassignment of equipment or separation of the employee from the City.

Finding #XI: Lax Monitoring Of Usage Plans Selected

The Office of the City Auditor determined that the City of Syracuse allows department heads to manage mobile phone usage and upgrades. Instead of monitoring personal usage and restricting the level of personal use by embracing a proactive management style, it has become frequent practice of the City to increase the minutes on a phone plan when an employee regularly exceeds their allotted time.

Recommendation: The City should adopt an aggressive stance in monitoring personal usage when deciding to revise an employee's phone plan. Increased minutes should only be given consideration when the justification for such an upgrade relates exclusively to the business usage.

Recommendations:

Recommendation #I: The City of Syracuse should implement a 20% reduction of mobile phone devices across the board and put in place a framework of controls for future assignment of wireless devices. The City needs to evaluate what priorities it uses to assign telephones. *It should determine who is so important to the organization that they are selected to be assigned City cellular phones and mobile devices.*

It is the opinion of the City Auditor the City can easily identify and terminate 123 out of 555 mobile phones, PDA's and BlackBerrys and other mobile equipment for cost savings for the City tax payers, without compromising the current effectiveness of City operations.

Recommendation #II: The City of Syracuse should discontinue its practice of charging the CDBG program for mobile devices used by employees of the City. While technically allowable per HUD, this program is designed specifically to provide community based assistance in order to promote the overall health and economic wellness of the community. Mobile device charges should be paid for by the City's operating funds in its combined effort with the federal government to combat blight.

Recommendation #III: The City of Syracuse should take a proactive approach to determine if the City is in compliance with Internal Revenue Service Code. A full investigation into the potential need to establish a reporting mechanism needs to be started immediately. The City would have no excuse to fall back on since the IRS has made information available to government employers that suggests that substantiation requirements exist that would possibly require additional reporting for taxable income exclusions to be justified by employees.

Recommendation #IV: The Common Council should review all departments' reliance on wireless communications as it goes through their budget hearing processes for the Budget for the City of Syracuse. As previously noted in this audit, the position of the administration is that expenditures for cellular phone services should be scrutinized during the annual budget review process and the Office of the City Auditor strongly concurs.

Auditor's Note:

As this audit report was being completed, The Buffalo News reported on the use of anti-poverty funds (Community Development Block Grant program) to provide fifteen BlackBerrys and three cell phones to officials of its two economic development agencies, the Buffalo Economic Renaissance Corporation and the Buffalo Urban Renewal Agency. The article has been included as Attachment E. While the utilization of the BlackBerrys and cell phones are justified by the City Commissioner of Economic Development as "a standard tool" and "one way to get more productivity" questions related to the need of such high-tech communication devices and whether charging the cost of these items doesn't equate to "misuse" of federal funds.

The article references Rochester, where there is far fewer BlackBerrys (1) and cell phones (13) used for economic development efforts and it quotes the Rochester Mayor's Office as stating that the City of Rochester covers the cost of the equipment from city operating funds. The City of Syracuse is also mentioned in the article, which reported that the Economic Development branch of government has one person with a City assigned cell phone. The research completed in reference to wireless communications costs charged back to the CDBG program confirmed the

accuracy of the statement. However, it should be noted that the article did not speak to the seven mobile devices that are assigned to the Department of Community Development, and are likewise charged back to the CDBG program.

The extravagance of Buffalo's use of tools that are viewed as being the "Cadillac of mobile devices" should be kept in mind by City officials in Syracuse City government who read this audit document, and should serve as a cautionary example of how easily control can slip away from managers.

It should also point out the danger that comes from trying to shift the financial responsibility for cellular activities from the City budget to the block grant which is intended to provide anti-poverty assistance. Syracuse does not have the history of abusing federal funding that appears to be a long-term issue in Buffalo.

Syracuse City officials need to be vigilant to prevent abuse of the CDBG program by paying from CDBG funds for expenses that are permissible under federal guidelines, but clearly are not readily linked to anti-poverty funding. Officials also need to be vigilant to insure the proliferation of mobile devices does not grow unchecked and become an unwieldy, unmanaged and expensive luxury after being justified as necessary tools for efficient delivery of City services. It will be very difficult to put that genie back in the bottle later on and City officials would be well served to address this now.

Philip J. LaTessa
Syracuse City Auditor
City of Syracuse
April 20, 2009

Management's Response:

A draft of this audit was provided to the administration for review and comment. In responding to the draft, the Office of the City Auditor was informed that the administration did not have any specific comments or concerns about the data or the language. The administration appreciated "the detailed, reasonable recommendations and will follow through on them".

The Commissioner of Community Development also responded to the City Auditor stating that he "in the future will review his participation on the boards of CDBG funded agencies".