

REVIEW OF THE CITY'S TELECOMMUNICATIONS

PHASE 1 CELLULAR TELEPHONES

Prepared by: The Office of the City Auditor
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Introduction

The cost of cellular phones to the Corporation, excluding Edmonton Police Service, rose from \$65 thousand in 1996 to \$559 thousand in 2001. This review by the Office of the City Auditor (OCA) was undertaken to determine if existing practices are adequate to ensure that cell phone usage by City staff is justified and reasonably controlled.

During initial discussions with the General Manager of Corporate Services and the Manager of the Telecommunications Services Office, the OCA was advised that work had commenced on the development of a long-term Corporate Telecommunications Strategy. It was agreed that the OCA would assume a proactive role in the development of the strategy and provide quality assurance feedback on its completeness. Upon the conclusion of the strategy development by the Telecommunications Services Office the OCA will provide a summary of our involvement in the project.

Background

Prior to the privatization and sale of EDTEL in September 1994, the City of Edmonton relied on EDTEL for in-house guidance and expertise in the area of voice, data and wireless communications. These services were designed and provided by EDTEL to meet individual department requirements and resulted in some differences in implementation of telecommunication services within the Corporation.

In 1995, a Telecommunication Services Office (TSO) was established to provide the following business functions:

- **Advisory and Consulting Services**
Provide consulting and advisory services to City departments and their stakeholders to assist in making cost-effective and innovative use of telecommunication.
- **Vendor Management**
Establish, negotiate, and manage vendor/supplier master contracts and monitor the effectiveness of service delivery.
- **Strategic Planning**
Establish measurement information to monitor the effectiveness of telecommunication uses within the cooperation and to establish a strategic direction for the corporation.

The following table compares telecommunication costs incurred in 1996 to those incurred in 2000 and 2001. Overall telecommunication costs are the same in 2001 as they were in 1996, however cellular telephone cost have increased by 760% and currently account for 10.4% of the total telecommunication costs. Between 2000 and 2001 cellular telephone costs increased by 17.7%. The increase in cellular phone costs has been offset in part by a decrease in mobile radio rental.

Telecommunication Costs
(excluding EPS)
1996, 2000 & 2001
(thousands of dollars)

	1996	2000	2001
Telephone (including Long Distance)	\$4,413	\$4,647	\$4,362
Mobile Radio Rental	863	491	453
Cellular Telephones	<u>65</u>	<u>475</u>	<u>559</u>
Total	\$5,341	\$5,612	\$5,374

Audit Objectives

To determine whether existing practices are adequate to ensure that cellular telephone usage by City staff is justified and reasonably controlled. This review focused on current practices and recent usage to minimize duplication of work being undertaken for the development of the Telecommunication Strategy.

Results

City policy A1420, Long Distance, Facsimile and Cellular Phone Expense was developed in 1992 prior to wide acceptance or use of cellular telephones. The associated procedures primarily address long distance charges and require departments to establish their own procedures. Discussions with departmental staff indicated that there is a lack of formal departmental procedures to guide the acquisition, use and monitoring of cellular telephones. Further, the City's cellular service plan provides for unlimited evening and weekend use with no incremental cost. However, guidelines for such use have not been defined. Standard procedures and guidelines need to be established to support the strategic direction the Corporation wishes to take for telecommunication services. These procedures would provide guidance on the acquisition and proper use of cellular telephones as well as provide the basis for evaluating whether the City is receiving best value for its investment in cellular service.

At the time of our review the service provider was unable to produce reliable electronic billing information required to analyze cellular telephone usage. Current billing and payment practices are manual and decentralized, with each department having its own process for distribution and review of detailed invoices. As a result, an effective

analysis of cellular telephone usage within the Corporation and an assessment of billing accuracy is not possible. The City needs to review all existing control processes; establish standardized processes to facilitate the monitoring, analysis and evaluation of cellular telephone usage and associated costs; and work with the service provider to ensure reliable billing information is available electronically.

A total of 6 recommendations were made to the Corporate Services Department to strengthen controls over the acquisition and usage of cellular telephones as well as the billing/payment process. Management has accepted these recommendations, action plans have been developed to address all recommendations and action has been initiated to address some of concerns identified during this review. The OCA will undertake a further review of cellular telephones after the action plans have been implemented and the resulting documentation and information required to evaluate cellular telephone usage is available.

We would like to acknowledge the cooperation and support we received from all individuals contacted during this review.