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AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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TO: Robert Ryans, Director
Department of Community and Senior Services

FROM: J. Tyler McCauley *tm*
Auditor-Controller

SUBJECT: **REIMBURSEMENT OF PERSONAL CELLULAR TELEPHONE CALLS**

You have requested our review of Community and Senior Services' (CSS or Department) reimbursement rate for personal calls made on County-issued cellular telephones.

Background

For the period from October 2002 to present, CSS has two types of cellular telephone plans through AT&T, as follows:

Plan	Flat Cost	Minutes Included	Cost for additional minutes
Flat Rate	\$9.99	0	\$.11
Pooled Advantage	\$39.99	300	\$.40

The Department requires that employees review cellular telephone bills for personal calls and reimburse all personal calls at a reimbursement rate of \$.25 per minute, an average of the two per minute rates noted above.

Comments and Recommendations

Reimbursement Rate

A CSS employee on the Flat Rate plan has charged that the Department improperly required him to reimburse his personal calls at \$.25 per minute when the provider, AT&T, only charged the Department \$.11 per minute.

County Fiscal Manual (CFM) 4.5.3 requires employees to reimburse the County at the per minute rate specified in the cellular service agreement. The Department should not

require employees to reimburse for personal calls at a rate that differs from the per minute plan.

The Department's development of an average reimbursement rate is also problematic for the following reasons:

- The use of an average reimbursement rate, as opposed to actual, could result in the Department over or under-recovering its costs. For example, if a user on the Flat Rate Plan identified 100 minutes in personal calls and a second user on the Pooled Advantage Plan identified 50 minutes in personal calls, the Department would require the users to reimburse the Department 150 minutes at \$.25, for a total of \$37.50. However, if the users reimbursed using an actual charge, they would have only reimbursed \$31 (100 minutes at \$.11 plus 50 minutes at \$.40.) In this example, the Department over-recovered its actual costs by \$6.50 (21%). Conversely, the Department would under-recover its actual costs by \$8.00 (18%) if the opposite occurred (i.e., the user on the Flat Rate Plan identified 50 minutes in personal calls and a second user on the Pooled Advantage Plan identified 50 minutes in personal calls.)
- The use of an average rate could provide an economic incentive for an employee on the Pooled Advantage Plan to use his or her County-issued cellular telephone for personal calls, even if he or she provided full reimbursement, if the average reimbursement rate is less than the per minute on his or her personal cellular telephone.
- The use of an average rate results in some employees reimbursing more or less than the actual costs incurred in the personal use of the cellular telephone.

Department staff stated that they developed an average rate to efficiently administer and track costs. However, we were not able to identify with your staff any administrative efficiency through the use of an average reimbursement rate, as opposed to the actual rates.

Anytime Minute Plans

Effective April 2003, the County Fiscal Manual Section 4.5.3 establishes County policy for the reimbursement of personal use of cellular telephones. For Anytime Minute Plans (i.e., a plan which provides users with a specified number of minutes for a fixed monthly fee), employees are required to reimburse the County for personal calls only if the employee used more than specified number of minutes in the Plan.

The Pooled Advantage Plan noted above is an Anytime Minute Plan. CSS requires employees on the Pooled Advantage Plan to reimburse for all personal calls, even if the employee uses less than the specified number of minutes in the Plan. This policy does not comply with the CFM.

Suggested Corrective Actions

The Department should consider taking the following corrective actions:

1. For all employees on the Flat Rate Plan, the Department should reimburse the employees \$.14 per minute (the difference between the Plan's per minute rate of \$.11 and the Department's average reimbursement rate of \$.25) for all personal calls previously identified.
2. For all employees on the Pooled Advantage Plan:
 - If the personal calls previously identified are less than the specified number of minutes in the Plan, reimburse employees \$.25 per minute (the Department's average reimbursement rate paid by the employees) for personal calls previously identified;
 - If the personal calls previously identified are greater than the specified number of minutes in the Plan, the employee should reimburse CSS for the lesser of 1) all personal calls or 2) all additional minutes, as specified in CFM 4.5.3.

The Department should determine the appropriate period over which to effect these retroactive adjustments in conjunction with County Counsel.

If there are any questions, please contact me or your staff may contact DeWitt Roberts at (626) 293-1101.

JTM:DR:JK

- c: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Yvonne Brathwaite Burke
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich
Lloyd W. Pellman, County Counsel