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December 21, 2010

TO: Supervisor Michael D. Antonovich, Mayor
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Supervisor Zev Yaroslavsky
Supervisor Don Knabe

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **DEPARTMENT OF CHILDREN AND FAMILY SERVICES – CELLULAR PHONE REVIEW**

As part of our ongoing responsibility to ensure that County resources are safeguarded and that departments comply with County fiscal policies and procedures, we have reviewed the Department of Children and Family Services' (DCFS or Department) controls over its cellular phones (cell phones). DCFS has more than 5,000 cell phones and spends approximately $2.2 million a year on cell phone services.

Summary of Findings

Our review disclosed significant weaknesses in DCFS' controls over its cell phones. These weaknesses have resulted in the Department paying at least $514,000 in potentially unnecessary and inappropriate cell phone service charges in 2009. Although our review was primarily limited to 2009, it is likely that the Department paid for unnecessary and inappropriate charges in the prior and current years. The following are examples of areas for improvement:

- DCFS could not identify cell phone users for more than 250 phones. DCFS needs to maintain an accurate cell phone inventory, including up-to-date records of assigned users.

- DCFS paid monthly service fees for over 1,400 cell phones and 220 broadband cards which were not used during 2009. In addition, the Department paid for personal international long distance charges and other possible inappropriate phone service charges, including roaming, directory assistance, texting, and call forwarding. DCFS needs to review cell phone bills to identify unused lines and avoid unnecessary charges.

- DCFS activated and paid for GPS tracking and navigation software on some phones but the employees either did not use the navigation feature or were unaware that they had this feature on their phone.

DCFS indicated that they have begun to take corrective action, including updating their cell phone inventory, canceling service for unused phones, and modifying protocols regarding the review and distribution of monthly cell phone bills.

The following are the detailed results of our review.

Cell Phone Issuances and Unused Phones

- DCFS does not maintain an up-to-date record of employee cell phone assignments, as required by the County Fiscal Manual (CFM). The Department could not identify assigned users for more than 250 issued phones. In addition, we noted that a number of phones were listed as assigned to DCFS employees who had left the Department. For example, DCFS' records show one phone was assigned to an employee who had transferred to the Auditor-Controller in 2007. We found that this employee's phone had been transferred to another DCFS employee, but DCFS' records did not reflect the change.

- DCFS does not review cell phone bills to identify unused lines and avoid unnecessary charges. For example:

  - 1,414 (28%) of the Department's 5,000 cell phones were not used by employees in 2009. Of the 1,414 cell phones, 710 phones were activated the full year and 704 phones were activated partial year. Approximately 300 of the 704 phones were not assigned to employees for their use. The Department paid monthly service fees for the 1,414 unused phones totaling more than $330,000 in 2009. In addition, for the 300 unassigned phones, the Department paid an additional $81,000 in monthly service fees between January and May 2010. The Department should not activate new phones until they are issued to specific employees.

  - DCFS has 532 broadband cards used to access the internet from portable computers. Two hundred twenty (41%) of the broadband cards were not

used in 2009. The Department paid over $90,000 in service fees for the unused broadband cards.

- For May 2010, DCFS paid approximately $8,500 for TeleNav Track (TeleNav) service on 388 cell phones (due to the volume of subscriber usage detail on the invoices, we did not review TeleNav charges for prior months). TeleNav is a GPS tracking and navigation software that can be used for tracking employees' whereabouts, for driving directions, etc., for which there are additional service fees. However, based on our interviews, it appears this feature was activated when the phones were issued, regardless of whether there was any need for it. We interviewed eight employees who had the TeleNav feature on their phone, and all eight (100%) indicated that they do not use the feature. In addition, five (63%) of the eight employees were not aware that they had TeleNav on their phone. DCFS should review all phone features and only activate features that are needed to avoid unnecessary fees.

DCFS management needs to keep an accurate inventory of cell phones, including keeping records of up-to-date assigned users. DCFS should also deactivate unassigned/unused phones and broadband cards, and review cell phone and broadband card bills to identify and cancel unused lines/cards and unnecessary features.

Recommendations

DCFS management:

1. **Keep an accurate inventory of cell phones, including up-to-date records of assigned users.**

2. **Deactivate unassigned/unused phones and broadband cards.**

3. **Review cell phone and broadband card bills monthly to identify and cancel unused lines/cards and unnecessary features.**

Questionable Cell Phone Usage

In addition to the controls over cell phone inventory and unused phones, we noted that some DCFS employees appear to be using their County cell phones inappropriately. We reviewed a sample of 20 users who appeared to incur excessive charges and noted the following:

- One employee incurred over $2,000 in personal international long distance charges between December 2008 and November 2009, but did not reimburse the Department.

- One employee claims she lost her phone in November 2008, but did not report it missing. The Department paid service charges of approximately $8,000 for this phone since November 2008, which included roaming charges from Mexico. DCFS cancelled the phone in January 2010, prior to our review, when they discovered it was lost, fourteen months after the original lost date.

- One employee incurred $2,146 in directory assistance (411 service) charges from December 2008 through November 2009 (approximately 1,200 calls in one year, or an average of 100 calls per month). In total, DCFS paid over $54,000 in directory assistance fees in 2009. While directory assistance services may be a necessary business need, we believe the number of calls and costs are excessive given that there are toll-free directory assistance services available. The department needs to encourage the use of toll-free directory assistance services, and monitor staff to identify inappropriate use.

- One employee incurred $2,827 in texting charges from December 2008 through November 2009. Overall, DCFS incurred over $21,000 for texting charges in 2009. The Department indicated that texting may be a useful way to contact foster children and agency personnel. However, DCFS should determine if the texting charges were appropriate and evaluate whether some employees need to have a texting plan added to their phone service to avoid separate texting charges.

- One employee incurred $2,533 for call forwarding from December 2008 through November 2009. DCFS paid a total of approximately $9,000 in call forwarding charges from December 2008 through November 2009. Some Department employees indicated that they forward all incoming calls dialed to their County cell phones over to their personal phones for the convenience of carrying one phone. However, the Department is billed each time a call is forwarded.

County policy requires employees to only reimburse the County for personal calls in excess of the total allotted minutes. However, personal calls that result in an additional charge to the County, such as the long distance calls and directory assistance calls discussed earlier, should be reimbursed by the employees if the charges are not County related. We noted that DCFS did not require its employees to reimburse the County for personal cell phone use until December 2009. At the time of our review, DCFS had only recovered $67 out of the $17,506 in total personal charges noted above (long distance, roaming, directory assistance, texting and call forwarding).

Most of the inappropriate cell phone charges could have been avoided if DCFS had monitored their cell phone bills as required by CFM Section 4.7.2.

Recommendations

DCFS management:

4. **Review the extra cost services (long distance charges, directory assistance, texting, etc.) identified in our report and recover any non-business related charges from the employees.**

5. **Establish and enforce a policy to restrict the use of extra cost services (long distance, directory assistance, etc.) unless it is absolutely necessary for County business.**

6. **Review cell phone bills on a monthly basis to identify questionable charges/usage and require employees to reimburse the County for personal use.**

7. **Determine if some employees need to have a texting plan added to their County cell phone service to avoid separate texting charges.**

Review of Report

We discussed our report with DCFS management. DCFS' attached response indicates general agreement with our findings and recommendations. During our review, DCFS' Procurement staff began cancelling services for the phones for which they could not identify users. Procurement staff also indicated that they have not had any complaints from any employees whose phones were cancelled. This may indicate that the phones were not being used or the phones were no longer in the employees' possession.

In addition, DCFS indicated that they have begun to take corrective action on the other areas noted in our review, including updating their cell phone inventory and modifying protocols regarding the review and distribution of monthly cell phone bills. We will complete a follow-up review in the next six to 12 months to determine the Department's progress in correcting the noted deficiencies.

While our review was limited to DCFS, the weaknesses noted in our review may exist in other departments. We recommend that all County departments review the controls over their County cell phones.

We thank DCFS management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Jim Schneiderman at (213) 253-0101.

WLW:MMO:JLS:TK

Attachment

c: William T Fujioka, Chief Executive Officer
Antonia Jiménez, Acting Director, DCFS
All Department Heads
Audit Committee
Public Information Office

Attachment

County of Los Angeles
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September 30, 2010

To: Wendy L. Watanabe
Auditor-Controller

From: Patricia S. Ploehn, LCSW
Director

RESPONSE TO CELLULAR PHONE REVIEW

Thank you for the opportunity to review the draft report of the Auditor-Controller's review of the Department of Children and Family Services' (DCFS) Cellular Phone Review.

We generally agree with the majority of the recommendations contained in the report, and completely concur that it is the Department's responsibility to safeguard County resources. In the near future, we will provide the Board a detailed report regarding our continuing progress in the implementation of strategies designed to address the findings and recommendation of the audit.

Some of the audit findings are in alignment with findings identified, several months ago, during an internal cellular telephone assessment. Subsequently, significant modifications to longstanding protocols regarding the review and distribution of monthly telephone bills for reimbursement verification were implemented. Recently, to set the ground work for corrective action, guidelines regarding the reporting of lost telephones and the proper use of telephone features (directory assistance, text messaging and call forwarding) were revised and re-distributed department-wide. The Department projects these procedural enhancements will continue to reduce charges generated from questionable telephone practices.

I very much appreciate the professional manner in which your staff conducted this review; and I am especially grateful for their post-review assistance. If you have any questions, please let me know, or your staff may contact Cynthia McCoy-Miller, Administrative Deputy, Bureau of Finance and Administration, at (213) 351-5847.

PSP:JC
CMM:cmm