



STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

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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,

/ s /

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
<b>Totals</b>	<b>1,887</b>	<b>753</b>	<b>2,632</b>	<b>\$732,565</b>

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.

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**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.

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**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.