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WHEN ARE LANDLINES A GOVERNMENT WASTE?

I SUMMARY

The Internal Services Department (ISD) of the County of Los Angeles (County) estimates that 25,000 cellular telephones are assigned to County employees. There are many jobs in the County where employees possess a cellular and a desk phone. In 2014, 41% of the U.S. households eliminated their landline telephones as they transitioned to cellular smartphones, however, offices will take longer to follow in this trend.¹ Senior management of the County Auditor-Controller recognizes this trend and sees this as an opportunity for cost savings by eliminating redundancy.

The 2016-2017 County Civil Grand Jury (CGJ) undertook a survey to estimate the savings that can be achieved when redundant landlines are eliminated. This effort is consistent with the Los Angeles County Strategic Plan 2016-2021:

Goal III of the County's Strategic Plan - Realize Tomorrow's Government Today

- Goal III.2.3 Prioritize and Implement Technology Initiatives That Enhance Service Delivery and Increase Efficiency
- Goal III.3.2 Manage and Maximize County Assets
- Goal III.3.6 Implement a Workplace of the Future

The CGJ found that the County can achieve savings of 19% for every landline phone that is eliminated where employees possess a cellular and a desk phone.² We also found that savings can be achieved by offering employees a stipend (a fixed regular dollar amount) to pay them for using their personal cellular phones to conduct County business. In a stipend pilot program, the County achieved up to 25% savings in lieu of County issued employee cellular phones from contracted service carriers.³

Given the growth trend in the use of mobile telephone technology, the County is encouraged to develop guidelines for managers to help them decide whether there is no longer a need for a landline when an employee has been issued a cellular phone.

¹ Forbes Magazine February 27, 2015 Niall McCarthy

² ISD Telecommunications Service Management provided phone charges for cell and Land lines. Annual Costs: Cellular is \$630, Desk is \$150, [\$150/(\$630+\$150)]*100=19%

³ Correspondence from Office of CEO

II BACKGROUND

Policy and Procedures:

In 2011 the Los Angeles County Board of Supervisors (BOS) directed the County Auditor-Controller to conduct audits to address former problem areas of tracking and managing usage of cellular phones and to develop the appropriate County policy and procedures.⁴ Gartner Consulting and the three cell phone agreement carriers were engaged to review the existing County contract agreement structures. They compared the County's processes, costs and controls to other government agencies and made recommendations for efficiencies and cost savings. As a result the County has addressed former problem areas and has augmented its best practice procedure to manage cellular telephone costs and to address inconsistencies among many departments.⁵ The County has established Board Policy 3.160⁶ and Fiscal Manual Reference 4.7⁷ each titled - County Cellular Telephone and Other Wireless Data Devices Usage Policy and Procedure.

The County continues to review and update these policies as needed.⁸ These procedures guide managers in assigning cellular phones, requires departments to use rates from existing negotiated service contracts and to monitor personal use/reimbursement of County cellular phones.⁹ The policy was developed in response to audits and included recommendations of outside consultants and the three cellular phone agreement carriers.¹⁰

Consequential Dilemma of Cellular Phones

Cellular phones may be authorized as stated in Board Policy 3.160 "...in the circumstance in which the employee's use on a non-cellular telephone is inadequate to meet departmental needs." The CGJ asks the question: If a staff member job requires the use of a cellular phone because a landline is inadequate to meet department needs, can the employee give up their desk phone?

A senior manager of the Auditor-Controller told the CGJ they identified, but not quantified cost savings should landlines be eliminated for cellular users. The CGJ decided to conduct a survey to estimate savings if cell phone users could give up a desk phone. Details of the methodology used for the survey are explained in the Methodology Section of this report.

⁴ The BOS letter "County Cell Phone Usage – Status Report no. 2 (Agenda of January 4, 2011) from the Chief Executive Office, March 10, 2011

⁵ Ibid

⁶ BOS Policy Manual

⁷ The County of Los Angeles Fiscal Manual Section 4.7.0 Cellular Telephone and Other Wireless Data Devices Usage Policy

⁸ Auditor Controller letter, "Review of Board Policy 3.160", from Auditor-Controller, John Naimo, to Audit Committee, September 6, 2016

⁹ BOS Policy Manual

¹⁰ BOS letter, "County Cell Phone Usage – Status Report No. 3 (Item No. 3, Agenda of January 4, 2011" from CEO, William T Fujioka

Cellular Procurement, Tracking and Billing

The Fiscal Manual¹¹ sets out procedures for procurement, tracking and billing. For example it states:

- Departments are required to procure cellular phones at rates available through County master agreements
- Department heads are responsible for justifying, approving cellular phones
- Each department is responsible for tracking and auditing employee personal usage reimbursement

Telecommunications Service Management Section¹² (TSM) staff described to the CGJ how monthly cellular-vendor printed bills are manually distributed to the respective departments, and then circulated between managers and employees for review and approve. TMS said this manual process is burdensome and prone to error and inefficiencies. TMS demonstrated the County Expense Management System (EMS) that automates landline and cellular phone billing and tracking processes. The CGJ was impressed how EMS increases efficiency; provides improved accountability, and results in added productivity.

We verified the system features that manage electronic phone billing distribution, personal use reimbursement, inventory, low volume usage, and provides approval mechanisms and reports. As demonstrated, the EMS system posts monthly cellular bills via the web, displays telephone usage, provides user and manager tools to identify personal costs, automates the approval process, and maintains cellular phone inventory.

TMS informed the CGJ that EMS can handle cellular and landline phone bills and tracking and that ISD intends to adapt EMS functions in a phone application (APP). The CGJ agrees with ISD staff that use of this system provides the opportunity to reduce administrative costs by shifting to an automated and paperless process provides.

TMS staff told the CGJ they have no accurate electronic method to match employees to a cellular and a desk phone because County departments phone-tracking systems are not integrated or do not capture the required data. TMS staff told the CGJ that ISD plans a mid-2017 roll out the Wireless Management Module of the EMS system for County departments who voluntarily decide to subscribe to this more efficient process.

Landlines

TMS staff informed the CGJ that they centrally manage all services for landlines, but not for all cellular phones. TMS explained to the CGJ that the County telephone system is an integrated

¹¹ The County Fiscal Manual Section 4.7.0 Cellular Telephone and Other Wireless Data Devices Usage Policy

¹² TMS is the ISD section that manages all landline billing for the County and cellular billing for County departments that subscribe to the EMS system.

phone service consisting of Centrex, PBX, and VoIP (internet) networks; these telecommunication service costs are bundled and charges back to the County departments. TMS informed the CGJ there are 140,000 landlines and while most are for employee-desks there are many other miscellaneous uses such as lines for alarms, elevators, sprinkler systems, facsimile machines, etc.

Costs

The following estimates were supplied by ISD Telecommunication Service Management Division:

The single estimated monthly average landline County charge to the departments is \$12.50 and consists of:

- The average single line charge for Centrex (\$14.00), PBX (\$5.00) and VoIP (\$10.00), is approximately \$10.00.
- The average usage per line is approximately \$2.00
- The average taxes/surcharges per line is approximately \$0.50

The single estimated monthly cellular phone charge to the departments is \$52.50 and includes:

- Older model basic smartphone
- Voicemail
- Capped pooled talk minutes/data/unlimited text

Not included in the \$52.50 monthly cellular phone cost:

- County pays the sales tax on the retail price of the phone
- County incurs the cost of loss or breakage

Stipend Program

A stipend is sum of money paid periodically for services or to defray expenses.¹³ In a cellular phone stipend program the County plans to provide a taxable stipend to employees in lieu of their existing County-issued cellular equipment; to reduce County cellular equipment and administrative costs.¹⁴

On January 8, 2013, the Los Angeles County Board of Supervisors approved a Phase I Pilot Stipend Program selecting a small number of employees for the test.¹⁵ The program reimbursed

¹³ Merriam-Webster Dictionary

¹⁴ County of Los Angeles BOS letter, Cellular Phone and Data Stipend Program Pilot”, October 2, 2012 from the Chief Executive Office

¹⁵ County BOS letter “Cellular Phone and Data Stipend Program Pilot Phase II, July 2,2013 from the Chief Executive Office

employees up to \$40 a month to use their personal cellular phone for County business.¹⁶ Forty (\$40) is \$12.50 less than the monthly cost of \$52.50 for a County cellular phone.¹⁷ The CGJ compared differences between a County-issued phone and a stipend phone and identified tangible and not quantifiable indirect administrative cost savings of the stipend program to include:

- County does not incur cost for breakage or stolen phones
- County does not incur cost for sales tax on retail price of a new phone
- No monthly production and distribution of billing reports
- Eliminates employee and manager tasks for reviewing and approving monthly bills
- Eliminates auditing of personal use of a County asset

In 2013, the County approved Phase II Pilot, a second stipend program pilot, to arrange for further refinement of policies and procedure related to implementation of the program and to include a larger pool of users.¹⁸ Management of the Chief Executive Office (CEO) informed the CGJ that the cellular phone and data stipend program pilot phase II (Pilot II) achieved savings of up to 25% in cellular phone costs.¹⁹ The critical issue of cyber-security for County information on personal phones is being addressed.²⁰ The following is a quote from correspondence from the Office of the CEO:

“It was determined through this exercise that we needed to develop a Bring Your Own Device (BYOD) policy that would address security concerns of County Data residing on private devices and the County’s ability to wipe data remotely in the result of a device being lost or stolen. The BYOD policy is currently being developed. Once this policy is in place and we believe we can protect County data on all devices, we will bring back [to] the Board a recommendation for a Stipend Program that complies with the BYOD. In the current environment related to cyber-security our main concern is to make sure we can protect all County data before moving forward with a Stipend Program.”²¹

¹⁶ County BOS letter “Cellular Phone and Data Stipend Program Pilot Phase II, July 2,2013 from the Chief Executive Office

¹⁷ Ibid

¹⁸ Ibid

¹⁹ Correspondence from Office of CEO to CGJ

²⁰ Ibid

²¹ Ibid

III METHODOLOGY

Data Collection

Cellular and landline data was collected manually because it was too complex and costly and time consuming than initially expected to extract data from electronic databases. For this reason the scope of data collection is limited to obtain sufficient data to calculate an approximation of cost savings. The project does not intend to collect data to qualify and decide which jobs should have their landlines removed, that decision is for management. However, the CGJ presupposes it is important to develop guidelines for managers to help them decide if there is no longer a need for a landline when an employee has been issued a cellular phone.

Sources of Information

Consultation with the County’s Audit Division of the Auditor Controller informed us that a survey, collecting a small sample of cellular data, is sufficient for the objective of this project. Our approach was selected after learning from the County’s ISD there is no accurate electronic method to identify employees assigned to a cellular and landline number.

ISD’s TSM provided the CGJ with the costs for all phones and demonstrated their computer Expense Management System (EMS) that tracks telephone billing and inventory.

Information about the stipend program was obtained from reports presented to the Board of Supervisors, the Office of the Auditor-Controller, Office of the CEO, and Chief Information Security Officer.

Survey

The survey was distributed to 10 departments with various jobs that require employees to be away from their desks a majority of the time. The design of this survey was to obtain a quantitative snapshot of users who maintain a cellular and desk telephone. See Figure 1.

Figure 1 - Survey Questions

Please select a minimum of 35 randomly selected field employees in your department:
1. Number of employees selected for this survey:
2. Number of these employees assigned a desk phone:
3. Number of these employees who share a desk :
4. Please provide a sample list of job titles for the employees used in the survey:
5. Please provide the name of your primary department administrator for cell phones:
6. Does your department utilize the “Stipend” program? (Yes or No):
7. Does your department use ISD Master Agreements for cellular devices or does your department negotiate directly with cellular providers? (ISD or Negotiate directly):

Table 1 - Survey Data

Number of Departments Surveyed	Number of cell users selected for survey:	Number of cell users assigned a desk phone	Number of cell users who share a desk	Does dept. utilize the "Stipend" program?	Does dept. use ISD Master Agreements
10	351	286	63	None	8 yes, 2 no

Using the numbers from Table 1, the CGJ calculates that 64% of the 25,000 cellular users have a dedicated desk phone. Computation is as follows:

$$[(286-63)/351] \times 100=63.53\%$$

Table 2 shows the potential annual savings when desk phones are relinquished. Savings is computed at \$150 (\$12.50 Charge per Month*12 Months) per each landline and using a cellular population of 64% (16,000) of 25,000 cellular users. The CGJ's study is only an approximate gauge but the resulting numbers are significant enough to justify a formal audit.

Table 2 – Potential County Annual Savings

Percent of cellular users who have a desk phone and relinquish it.	Annual Savings from relinquishing desk phone
20% relinquishment	\$ 480,000
33% relinquishment	\$ 792,000
50% relinquishment	\$1,200,000

IV FINDINGS

1. The CGJ's study is only an approximate gauge but the resulting numbers are found to be significant enough to justify a formal audit.

Potential County Annual Savings

Percent of cellular users who have a desk phone and relinquish it.	Annual Savings from relinquishing desk phone
20% relinquishment	\$ 480,000
33% relinquishment	\$ 792,000
50% relinquishment	\$1,200,000

2. Given the growth trend in the use of mobile telephone technology, guidelines for managers would be advantageous to help them decide whether there is no longer a need for a landline when an employee has been issued a cellular phone.
3. The County employee population is approximately 100,000 and it operates 140,000 landlines. There is a potential for part of the 40,000 hard wired miscellaneous functions to shift to wireless communication.
4. Internal Services Department's (ISD) Expense Management System (EMS) reduces the disarray associated with handling, reviewing and approving monthly paper telephone bills that were previously delivered by telephone service providers. This system can handle both cellular and landline phone bills.
5. Subscription to EMS is currently voluntary by each department. By having all departments subscribe to this system the County will possess a centralized inventory for cellular phones. EMS can be modified to track stipend phones.
6. ISD is working to convert from legacy PBX and Centrex technology to VoIP where possible to reduce costs. PBX is being phased out as a communication technology in the telecommunication industry.
7. The single estimated monthly average landline charge to the County departments is \$12.50.
8. Implementation of a stipend program can reduce cellular phone costs for the County based on the results of Phase I and II pilot programs. A stipend program allows employees to use a personal cellular device in lieu of a County-issued device as a cost-effective option. The Phase II pilot demonstrated savings of up to 25% when compared to the cost of a cellular phone purchased from a telephone carrier approved by the County.
9. Security concerns regarding County Data residing on private devices and the County's ability to wipe data remotely due to a device being lost or stolen is to be addressed. The storage and retrieval of information subject to the California Public Records Act should be addressed.^{22,23} Implementation of a Bring Your Own Device (BYOD) policy and associated technical solution is in development and is a prerequisite to rolling out a stipend program.
10. The County's monthly cost for a smartphone is approximately \$52.50 for those procured through ISD. These smartphones are the previous years' models with voicemail service, capped pooled minutes/data/unlimited text. The County pays the sales tax on the retail price of the phone and incurs the cost of loss or breakage.

²² California Government Code, Sec. 6250, et seq.

²³ City of San Jose v. Superior Court (Smith), No S218066, March 2017.Re. conduct of public business on personal account may be subject to disclosure under the California Public Records Act.

11. The County has established appropriate policies identified in Board Policy 3.160²⁴ and Fiscal Manual Reference 4.7²⁵ for managing cellular phones.
12. There is no centralized procurement policy for cellular phones. Some departments negotiate their own agreements though this service is available from the County ISD. This is permissible providing they acquire services at rates available through County master agreements negotiated by ISD.
13. Based on technology trends²⁶, the County workplace of the future will likely see a continuous growth in use of mobile devices with the expectation that costs will be off-set with measured increase of productivity.

V RECOMMENDATIONS

1. The Auditor-Controller should conduct an audit to quantify cost savings from eliminating cellular/ landline redundancy, where possible, when these devices are assigned to the same person.
2. The Auditor-Controller should recommend guidelines for determining when a landline should be eliminated or shared by two or more employees.
3. The Internal Services Department should modify the inventory process for tracking 40,000 landlines dedicated to miscellaneous functions like elevators, alarms and facsimile to flag devices that will be converted to wireless communication.
4. The Chief Executive Office should require all departments to use the Internal Service Department Expense Management System (EMS) to ensure all cellphones are tracked, monitored and cost-controlled.
5. The Chief Executive Office should seek approval of the Board of Supervisor to implement a County Cellular Phone and Data Stipend Program and associated Bring Your Own Device (BYOD) policy.
6. The Chief Executive Office should require that cyber security and information subject to the California Public Records Act be addressed in a stipend phone policy.
7. The Chief Executive Office should initiate a project to determine how to track stipend phones.

²⁴ BOS Policy Manual

²⁵ See County of Los Angeles Fiscal Manual Section 4.7.0 Cellular Telephone and Other Wireless Data Devices Usage Policy: footnote 7

²⁶ Forbes Magazine February 27, 2015 Niall McCarthy

8. The Internal Services Department should modify the Expense Management System to track and inventory stipend phones.

VI REQUEST FOR RESPONSE

California Penal Code Sections 933(c) and 933.05 require a written response to all recommendations contained in this report. Such responses shall be made no later than ninety (90) days after the Civil Grand Jury publishes its report (files it with the Clerk of the Court). Responses shall be made in accord with Penal Code Sections 933.05 (a) and (b).

All responses to the recommendations of the 2016-2017 Civil Grand Jury must be submitted on or before September 30, 2017, to:

Presiding Judge
 Los Angeles County Superior Court
 Clara Shortridge Foltz Criminal Justice Center
 210 West Temple Street
 Eleventh Floor-Room 11-506
 Los Angeles, CA 90012

Responses are required from:

Responding Agency	Recommendations	Findings
Los Angeles County Auditor-Controller	10.1, 10.2	10.1, 10.2
Los Angeles County Chief Executive Office	10.4, 10.5, 10.6, 10.7	10.4, 10.5, 10.8, 10.9, 10.12
Los Angeles County Internal Services Department	10.3, 10.8	10.3,10.4,10.5

VII ACRONYMS

APP	Application
BOS	Los Angeles County Board of Supervisors
BYOD	Bring Your Own Device
CEO	Chief Executive Office
CGJ	2016-2017 Los Angeles County Civil Grand Jury
EMS	Expense Management System
ISD	Internal Service Department
PBX	Private Branch Exchange
TMS	Telecommunications Service Management Section
VoIP	Voice over Internet Protocol

VII COMMITTEE MEMBERS

Henry C. Guerrero Chair
Regi Block Secretary
Hilda Dallal
London Jones
Patrick Lyons

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LOS ANGELES RIVER REVITALIZATION



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