

**CITY OF HAMILTON**

**CITY MANAGER'S OFFICE  
Audit Services Division**

<b>TO:</b> Chair and Members Audit, Finance and Administration Committee	<b>WARD(S) AFFECTED:</b> CITY WIDE
<b>COMMITTEE DATE:</b> April 10, 2012	
<b>SUBJECT/REPORT NO:</b> Follow Up of Audit Report 2009-04 - Telecommunication Services (AUD12004) (City Wide)	
<b>SUBMITTED BY:</b> Ann Pekaruk Director, Audit Services City Manager's Office	<b>PREPARED BY:</b> Ann Pekaruk 905-546-2424 x4469
<b>SIGNATURE:</b>	

**RECOMMENDATION**

That Report AUD12004, respecting the follow up of Audit Report 2009-04, Telecommunication Services, be received.

**EXECUTIVE SUMMARY**

Audit Report 2009-04, Telecommunication Services, was originally issued in February, 2010 and management action plans with implementation timelines were included in the Report. In January, 2012, Internal Audit conducted a follow up exercise to determine that appropriate and timely actions had been taken. Of the 33 recommendations that management agreed to in the original Report and Addendum, seven have been completed, 12 are in progress, one has been initiated, one alternative has been implemented and seven are no longer applicable. Five remain incomplete.

***Alternatives for Consideration – Not Applicable***

**FINANCIAL / STAFFING / LEGAL IMPLICATIONS** (for Recommendation(s) only)

**Financial:** The awarding of a new contract to Bell Mobility for wireless cellular services and devices resulted in cost savings of approximately \$103,400 in 2011 over 2010 (per FCS12022).

**Staffing:** None.

**Legal:** None.

**HISTORICAL BACKGROUND** (Chronology of events)

Audit Report 2009-04, Telecommunication Services, was originally issued in February, 2010. The Report and Addendum provided 33 recommendations identifying areas for improvement in the administration and cost management of telecommunication related contracts and vendor payments, inventory (both land and wireless devices) and any service changes.

It is normal practice for Internal Audit to conduct follow up reviews within a 12-18 month period following issuance of the original report in order to determine whether action plans committed to by department management have been implemented.

**POLICY IMPLICATIONS**

Cell Phone Use Agreement

**RELEVANT CONSULTATION**

The results of the follow up were provided to management responsible for the administration and operations of telecommunication services – Information Services, Corporate Services Department.

**ANALYSIS / RATIONALE FOR RECOMMENDATION**

(include Performance Measurement/Benchmarking Data, if applicable)

The report attached as Appendix “A” to Report AUD12004 contains the first three columns as originally reported in Report 2009-04 along with an added fourth column indicating Internal Audit’s comments as a result of the follow up work. The original Addendum section containing five recommendations also contains follow up comments.

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Management and staff of Information Services have been working on the implementation of many of the recommendations. Most evident is the awarding of a four-year contract to Bell Mobility for wireless cellular services (see #7 in the Audit Report – Appendix “A”).

Seven of the 33 recommendations have been fully implemented. They include: approval authorities clearly defined for individuals initiating requests for new cellular phones, accessories and hardware upgrades; a revised Cell Phone Use Agreement; all the long distance phone lines switched to Telus; WATTS line for long distance discontinued; reduction in the number of general ledger accounts associated with telecommunication services to simplify the accounting process and ensure accurate cost allocations to departments; and an inventory of Internet Protocol Telephony (IPT) phones (hardware) from the time of receipt.

There are 12 recommendations whose implementations are in progress. They are: formalization of valid contracts with each service provider and timely renewals; establishment of clear and aligned single source accountability for the City's telecommunication services in an attempt to obtain optimal efficiency; documented and up-to-date relevant procedures for all telecommunication services; stricter enforcement of the Cell Phone Use Agreement in terms of user retention and management approval of service invoice and of user reimbursement of personal long distance and other personal usage within prescribed time limits; development of a complete, integrated database of existing land lines, Blackberries and cellular phones; and a review of the continued need for pagers.

Tighter controls over the tracking of Blackberries and cellular phones have been initiated.

Among the five incomplete recommendations are: a process is not in place to ensure the accuracy of the billing for the required pagers; monthly invoices for Blackberries and cellular phones (Bell & Telus) are still not received by all users; and no signed cell phone use agreements are available for the Telus push-to-talk Blackberries.

Seven recommendations that are no longer applicable include: the review of the usage of the City's Blackberries and cellular phones in regard to the appropriateness of the rate plan and reasonableness of usage due to favourable terms of the new contract; written and regularly updated Finance and Administration (F&A) procedures due to F&A's diminished role in telecommunication services; and monitoring of personal long distance calls through IPT extensions and/or landlines due to the financial insignificance of the charges.

An alternative process was implemented in place of established signing authority limits for invoice payments.

**ALTERNATIVES FOR CONSIDERATION**

(include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)

Not applicable.

**CORPORATE STRATEGIC PLAN (Linkage to Desired End Results)**

Focus Areas: 1. Skilled, Innovative and Respectful Organization, 2. Financial Sustainability,  
3. Intergovernmental Relationships, 4. Growing Our Economy, 5. Social Development,  
6. Environmental Stewardship, 7. Healthy Community

***Financial Sustainability***

- ◆ Delivery of municipal services and management of capital assets/liabilities in a sustainable, innovative and cost effective manner.

**APPENDICES / SCHEDULES**

Appendix "A" to Report AUD12004.

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**CITY OF HAMILTON  
INTERNAL AUDIT REPORT 2009-04 - TELECOMMUNICATION SERVICES  
FOLLOW UP**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (JANUARY 2012)
1.	<p><b><u>Contract Management</u></b> Currently the City has several telecommunication service providers including Bell Canada for land lines, Bell Mobility for Blackberries and cellular phones, Telus Mobility for push-to-talk Blackberries and Bell and Rogers for pagers.</p>	<p>That a valid contract be established with each telecommunication service provider.</p>	<p>Agreed. A Request for Proposal (RFP) will be released in 2009. The contract(s) will be awarded to the successful vendor(s) with a Jun. 1, 2010 effective date. This RFP may result in multiple successful vendors since one or more of the services required by the City are only provided by one vendor. Contracts will be in place for vendors once the RFP closes and successful vendors are selected.</p>	<p>In Progress. The City now has a four year contract with Bell Mobility for wireless cellular services from Dec. 1, 2010 to Nov. 30, 2014. There are no valid contracts with Telus for the 87 cell phones and Blackberries or with Bell and Rogers for 55 pagers.</p>

**TELECOMMUNICATION SERVICES  
FOLLOW UP – JANUARY 2012**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (JANUARY 2012)
1.	<p><b><u>Contract Management (Cont'd.)</u></b></p> <p>At the time of audit, the contract with Bell Mobility had expired and the Request for Proposals (RFP) was a work in progress. Further, there was no corporate contract with Telus Mobility and thus, individual contracts were entered into by user departments, resulting in different terms and rates. Further, there was no contract with Bell or Rogers with respect to pagers currently being paid for by the City.</p> <p>Without valid corporate contracts in place, existing terms, services and rates may not be the most cost efficient and could be changed by the service providers at their discretion.</p>	<p>That the RFP process be initiated before existing contracts expire to ensure minimum lag time between old and new contracts.</p>	<p>Agreed. As part of the Information Services (IS) restructuring, the Division has appointed a Supervisor of Contract Administration to manage all IS contracts. In the future, this will ensure that the RFP process begins well ahead of the end of the existing contract.</p>	<p>In Progress. A Supervisor of Contract Administration was involved with the Bell contract. However, other corporate contracts are still required. The Supervisor of Contract Administration is expected to ensure that there is minimum lag time between old and new contracts.</p>

**TELECOMMUNICATION SERVICES  
FOLLOW UP – JANUARY 2012**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (JANUARY 2012)
2.	<p><b>Information Services (IS) Procedures</b></p> <p>There are a few written procedures with respect to Internet Protocol Telephony (IPT) and Bell Blackberries and cellular phones which, however, do not cover all the processes involved (such as activation, purchase of hardware and accessories, changes, cancellations, disconnections and return of hardware associated with disconnected Blackberries and cellular phones).</p> <p>It was also noted that certain information included in existing procedures is either outdated incomplete or inaccurate and thus requires revision.</p> <p>In addition, there are no written procedures pertinent to land lines with Bell Canada, Telus Blackberries and pagers. There are also no processes documented which assess the cost efficiency of the corporate rate plan for Blackberries and cellular phones, monitor the usage of the current plan and ensure that monthly rates charged are reasonable, that the City is not paying for disconnected accounts and that credits resulting from disconnections are properly calculated.</p>	<p>That procedures pertaining to all the processes with respect to IPT, land lines, Blackberries, cellular phones and pagers be documented.</p> <p>That, once completed, the above procedures (including any still relevant existing procedures) be reviewed on a regular basis to ensure that they remain current and are appropriately and consistently applied.</p>	<p>Agreed. As part of the RFP development process, staff will also be looking at aligning responsibility and accountability for more effective processes. Any new procedures will be documented and distributed prior to the initiation of the next contract (June 1, 2010). All existing procedures will be reviewed and updated, as required.</p> <p>Agreed. All procedures dealing with telecommunication services will be reviewed regularly by the Supervisor of Contract Management.</p>	<p>In Progress. IS has developed procedures governing the management, allocation and use of cellular devices. However these procedures only cover cellular phones, pagers, and devices with integrated wireless communication ability (i.e. smart phone / blackberries). They do not cover IPT and land lines. Management expects to have procedures to address the remaining processes by the end of Q2, 2012.</p> <p>Incomplete. As some procedures have yet to be completed (see the above point), they have not been reviewed regularly by the Supervisor of Contract Administration. Management expects that once all the procedures have been finalized, they will be reviewed each year to ensure that they remain current.</p>

**TELECOMMUNICATION SERVICES  
FOLLOW UP – JANUARY 2012**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (JANUARY 2012)
2.	<p><b><u>Information Services (IS) Procedures (Cont'd.)</u></b></p> <p>When written procedures are not up to date or do not exist, employees currently carrying out the processes rely on personal understanding and experience which could result in incorrect, incomplete or inconsistent application. It would also be problematic and inefficient for a successor to commence his/her duties within a short period of time.</p>			
3.	<p><b><u>Finance &amp; Administration (F&amp;A) Procedures</u></b></p> <p>Although there are some F&amp;A procedures, they do not cover all applicable areas of telecommunication services such as hardware purchases, long distance charges and IPT cost allocations.</p>	<p>That F&amp;A procedures pertaining to all processes applicable to IPT, land lines, Blackberries, cellular phones and pagers be documented.</p>	<p>Agreed. F&amp;A procedures will be written for completion by June 2010.</p>	<p>No Longer Applicable. The F&amp;A's role has diminished since the time of the original audit. F&amp;A is now only responsible for IPT cost allocations. As this is only a simple journal entry, separate procedures are no longer required.</p>



**TELECOMMUNICATION SERVICES  
FOLLOW UP – JANUARY 2012**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (JANUARY 2012)
3.	<p><b><u>Finance &amp; Administration (F&amp;A) Procedures (Cont'd.)</u></b></p> <p>When written procedures are not up to date or do not exist, employees currently carrying out the processes rely on personal understanding and experience, which could result in incorrect, incomplete or inconsistent application. For example, due to the lack of written procedures, the IPT hardware charge-back was not processed for 2008 as the current Financial Assistant (FA) who took over this area in 2008 was not made aware of this responsibility.</p>	<p>That once completed, the above procedures be reviewed regularly to ensure that they remain current and are appropriately and consistently applied.</p>	<p>Agreed. F&amp;A procedures will be reviewed by the Manager, F&amp;A Corporate.</p>	<p>No Longer Applicable. See changed duties as noted above.</p>

**TELECOMMUNICATION SERVICES  
FOLLOW UP – JANUARY 2012**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (JANUARY 2012)
4.	<p><b><u>Review of Current Processes</u></b></p> <p>Multiple divisions are involved in the processes regarding IPT, land lines, Blackberries, cellular phones and pagers. For example, Information Services (IS) centrally controls IPT, Bell Blackberries and long distance services; cellular phone requests are handled by a Buyer in Purchasing; new land lines are to be arranged through the Facilities Support Coordinator from Public Works; and controls over pagers and Telus Blackberries reside with individual user departments.</p> <p>The complexity of current processes could lead to confusion and less cost effective purchase decisions being made. Process effectiveness and efficiency would be compromised.</p>	<p>That current processes with respect to IPT, land lines, Blackberries, cellular phones and pagers be reviewed and streamlined to achieve optimal efficiency. Involvement of IS in all processes should be considered to ensure that the most cost efficient terms are obtained and most appropriate hardware purchased.</p>	<p>Agreed. As part of the RFP development process noted in #1, staff will be also looking at aligning responsibility and accountability for more effective processes. It is the intent to recommend that the responsibility and accountability for telecom services be placed in the IS Division.</p>	<p>In Progress. IS is increasingly responsible for co-ordinating all processes that involve telecommunications. For example, the purchases of cellular phones and Blackberries are now handled entirely by IS and no longer involve a Buyer in the City's Procurement section. Any controls, if they exist, over 87 Telus phones and 55 pagers still reside with the individual user departments. Processes pertaining to land lines have not been reviewed and streamlined.</p>

**TELECOMMUNICATION SERVICES  
FOLLOW UP – JANUARY 2012**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (JANUARY 2012)
5.	<p><b><u>Record Tracking</u></b> Multiple records currently existing for land lines and Bell Blackberries and cellular phones (including databases and spreadsheets) were found to be inconsistent with each other.</p>	<p>That current databases and spreadsheets of existing land lines, Bell Blackberries and cellular phones be reviewed, updated and brought into agreement with each other.</p>	<p>Agreed. The Desktop RFP is to include an asset management solution which IS is expecting to also allow for management of telecommunication devices. Expected implementation date – June, 2010.</p>	<p>In Progress. IS is adopting existing software (referred to as the Business Intelligence (BI) Tool) which will help monitor, manage and govern telecommunication data City wide. The BI Tool will enable IS to evaluate the accuracy and consistency of information on Blackberries and cellular phones. A separate process will be developed to address the record tracking of land lines. Management expects this software will be in place by the end of Q2, 2012.</p>

**TELECOMMUNICATION SERVICES  
FOLLOW UP – JANUARY 2012**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (JANUARY 2012)
5.	<p><b><u>Record Tracking (Cont'd.)</u></b></p> <p>The following issues were noted from the review of the PeopleSoft Translation Table ("the Table"), the most used database:</p> <ul style="list-style-type: none"> <li>- One of the sample accounts randomly selected had been disconnected but continued to show as "active" in the Table.</li> <li>- There were no controls ensuring that all disconnected lines and accounts had been inactivated in the Table.</li> </ul> <p>Incomplete or inaccurate inventories could lead to confusion and misleading information, possibly resulting in non-existing lines or accounts being billed by the service providers and not being identified as such on a timely basis.</p>	<p>That the possibility of incorporating these separate records into one integrated database be considered.</p>	<p>Agreed. With the award of the new contract (June 1, 2010), all new equipment will be recorded in a single database.</p>	<p>In Progress. The BI Tool referred to above will also allow the incorporation of separate records into one integrated database. This is expected to be in place by the end of Q2, 2012.</p>

**TELECOMMUNICATION SERVICES  
FOLLOW UP – JANUARY 2012**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (JANUARY 2012)
6.	<p><b><u>Bell Blackberries &amp; Cellular Phones – Activation &amp; Hardware</u></b></p> <p>According to the Blackberry Device – Equipment Order Form (BB Form), a cost benefit analysis should be performed for any new Blackberry request. At the time of audit, there was no evidence of such analysis being completed. Also, there was no indication that a formal assessment was done to determine user needs for hardware upgrades associated with Blackberries.</p> <p>Requests for new Bell cellular phones, accessories and hardware upgrades are sent to the Buyer in Purchasing from user departments by individuals at varying authority levels in the City including FAs, supervisors and program secretaries, implying undefined approval levels.</p>	<p>That a cost benefit analysis be performed for any request for a new Blackberry and/or hardware upgrade and it be approved by departmental management. Such analysis should be provided to Information Services along with the request.</p> <p>That approval authorities be clearly defined with respect to individuals initiating requests for new cellular phones, accessories and hardware upgrades.</p>	<p>Alternative to be Implemented. Information Services (IS) will modify the Blackberry order form to eliminate the need to send IS a cost benefit analysis. Approval of a Blackberry device is at the sole discretion of the General Manager (GM) or designate based on current policies and the GM (or designate) is responsible for ensuring an appropriate business case.</p> <p>Agreed. Approval authorities will be reviewed, established and implemented with the award of the new contract, as noted in #1.</p>	<p>No Longer Applicable. The Blackberry order form has been replaced by the Cellular Ordering Form. A cost benefit analysis is no longer required.</p> <p>Completed. Requests for new cellular phones, Blackberries, accessories and hardware upgrades are now sent from the user departments directly to IS, who in turn ensures that the appropriate authorization (General Manager) is indicated on the Cellular Ordering form noted above.</p>

**TELECOMMUNICATION SERVICES  
FOLLOW UP – JANUARY 2012**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (JANUARY 2012)
6.	<p><b><u>Bell Blackberries &amp; Cellular Phones – Activation &amp; Hardware (Cont'd)</u></b></p> <p>In addition, the return of hardware associated with disconnected Blackberries and cellular phones was not properly tracked.</p> <p>Consequently, purchases of Blackberries, cellular phones, accessories (such as car adaptors, extended batteries and leather cases) and hardware upgrades (i.e. for aesthetic reasons only) may be unnecessary. Unsupported entitlement to Blackberries and cell phones could raise negative public opinion. Hardware associated with disconnected accounts could be left unattended or kept for personal usage.</p>	<p>That hardware associated with disconnected Blackberries and cellular phones be properly tracked, reassigned or disposed of according to the procedures to be set up under the above audit finding #2.</p>	<p>Agreed. This functionality will be established as part of the asset management system noted in #5.</p>	<p>Initiated. Currently, IS tracks the return of hardware associated with disconnected Blackberries and cellular phones via Heat Tickets. However, this method does not always adequately identify the hardware returned. Management expects that by using the BI Tool referred to in the follow up comments in #5 above, along with the Heat Tickets, it will be possible to better track disconnected, reassigned and disposed of cellular devices. This process is expected to be in place by the end of Q2, 2012.</p>

**TELECOMMUNICATION SERVICES  
FOLLOW UP – JANUARY 2012**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (JANUARY 2012)
7.	<p><b><u>Blackberries &amp; Cellular Phones – Monthly Usage</u></b></p> <p>The City's free minute pool with Bell Mobility for Blackberries and cellular phones was increased in August 2008 from 200 minutes per user per month to 250 minutes per user per month to try to accommodate consistent overages and their additional costs. Coincidentally, total usage also increased and total minutes used still exceed the pooled minutes allowed, resulting in additional costs.</p> <p>A review of sample invoices indicated that a number of local phone calls were made after standard work hours and on weekends, most of which were more than likely personal in nature. Currently, there are no policies limiting personal local calls made from City funded Blackberries and cellular phones. However, such personal calls use up the City's free minute pool, resulting in additional cost to the City.</p> <p>Inappropriate usage of the City's Blackberries and cellular phones for personal interests would lead to negative public opinions.</p>	<p>That current usage of the City's Blackberries and cellular phones be reviewed regularly in conjunction with the current monthly rate plan (i.e. the minute pool) to determine the reasonableness of the usage and the appropriateness of the rate plan.</p> <p>That measures to reduce and limit personal local calls made on the City's Blackberries and cellular phones be investigated and implemented.</p> <p>That the Cell Phone Use Agreement be revised to reflect the above measures put in place.</p>	<p>Agreed. This responsibility has been assigned to the Supervisor of Contract Management in IS.</p> <p>Agreed. Once the new contract is awarded, reports on individual usage for local and long distance calls will be made available for management oversight.</p> <p>Agreed. Once the new contract is awarded in 2010, the Cell Phone Use Agreement will be reviewed and revised, as required.</p>	<p>No Longer Applicable. The City now has a four year contact with Bell Mobility referred to in the follow up comments in #1 above. The free minute pool is no longer exceeded with the favourable terms of the new contract.</p> <p>No Longer Applicable. Refer to #7 above.</p> <p>Completed. Even with the new contract, which provides cell phone users a liberal pool of minutes, the Cell Phone Use Agreement has been revised to reflect that only occasional or incidental personal use of cellular devices is permitted.</p>

**TELECOMMUNICATION SERVICES  
FOLLOW UP – JANUARY 2012**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (JANUARY 2012)
8.	<p><b><u>Blackberries &amp; Cellular Phones – Monthly Invoices</u></b></p> <p>According to the Cell Phone Use Agreement signed by Blackberry and cellular phone users, monthly invoices are to be forwarded to individual users who are supposed to review, mark personal long distance usage and sign the invoices, get written approval from their supervisors and maintain files of approved bills which may be subject to audit.</p> <p>The following exceptions were noted during the review of sampled invoices randomly selected:</p> <ul style="list-style-type: none"> <li>- A number of sampled invoices were provided to Internal Audit by the Financial Assistant (FA) from the users' areas as the users did not normally receive their monthly invoices, let alone retain them.</li> </ul> <p>There were a few incidents where monthly invoices were not received by the users until several months later. In one instance, the September 2008 invoice had not been received by the user as of March 2009.</p>	<p>That the importance of complying with the Cell Phone Use Agreement be emphasized with all individual users. Alternative approaches should be considered for requirements of the Cell Phone Use Agreement that may be found less cost efficient in certain areas (e.g. getting monthly invoices approved by supervisors working at remote sites).</p> <p>That Finance &amp; Administration staff (F&amp;A) forward all monthly invoices to individual users in a timely manner.</p>	<p>Agreed. Once the new vendor is contracted, IS will work with Finance to review and establish processes for invoice review and approval. These processes and monthly management reports will help ensure compliance with the terms of the Cell Phone Use Agreement.</p> <p>Alternative to be implemented. As part of the RFP noted in #1, the successful vendor will be required to provide monthly electronic invoicing which will be e-mailed to each individual user.</p>	<p>In Progress. The new Cell Phone Use Agreement states that users are responsible for reviewing their monthly invoices for accuracy and personal use reimbursement. A sampling of invoices during the audit indicated compliance was not consistent across the City.</p> <p>Incomplete. Invoices are still not received by all users. The successful vendor noted in the management action plan is not required to provide monthly electronic invoicing that is e-mailed to each individual user.</p>



**TELECOMMUNICATION SERVICES  
FOLLOW UP – JANUARY 2012**

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8.	<p><b><u>Blackberries &amp; Cellular Phones – Monthly Invoices (Cont'd)</u></b></p> <ul style="list-style-type: none"> <li>- Very few of those sampled invoices provided by the users were signed by the users and their supervisors.</li> <li>- One sampled user deducted personal long distance charges incurred from the claims for travel and conference expenses instead of forwarding payments to Finance &amp; Administration (F&amp;A) as required by the Cell Phone Use Agreement. This resulted in reimbursements waiting until such time as the individual had accumulated enough claim amount to cover the personal charges (e.g. delays of up to 6 months).</li> <li>- Reimbursements for personal charges were quite often submitted months after the invoice dates although the Cell Phone Use Agreement requires that reimbursements for personal charges be made within 30 days of receipt of the invoices.</li> </ul> <p>Consequently, costs associated with personal use of Blackberries and cellular phones may not have been reimbursed to the City.</p>	<p>That invoices received by individual users be reviewed and signed by individual users, be approved by the users' supervisors and be retained by the users.</p> <p>That costs associated with personal long distance use, personal text messaging usage and other personal services (such as directory assistance) be reimbursed to the City within 30 days of receipt of the invoice.</p>	<p>Agreed. With the implementation of electronic invoicing as noted above, electronic approval work flow processes will be investigated by IS and Finance staff. However, the onus will be on the cell phone user to adhere to the terms of the user agreement and ensure invoices are signed off. F&amp;A staff will not monitor this.</p> <p>Agreed. This change will be made to the Cell Phone Use Agreement upon issuance of the new cell phones after the new cell phone RFP is issued and awarded. The responsibility of reimbursement will fall to the cell phone user according to the terms of the signed agreement. F&amp;A will not monitor the personal use payments. Expected implementation – Dec. 31, 2010.</p>	<p>In Progress. There was evidence of compliance but the process was not consistently followed across the City. IS is currently investigating a means of invoice distribution electronically to individual users with an expected implementation by Q3, 2012.</p> <p>In Progress. Even though audit testing provided some evidence of user reimbursement, the process is not consistently followed across the City. All costs associated with personal long distance use, personal text messaging usage and other personal services (i.e. directory assistance) are not reimbursed to the City within 30 days of the invoice receipt as required by the Cell Phone Use Agreement.</p>

**TELECOMMUNICATION SERVICES  
FOLLOW UP – JANUARY 2012**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (JANUARY 2012)
9.	<p><b><u>Long Distance Services</u></b>            In September 2008, Telus became the provider of long distance services for the City after a Request for Quotations (RFQ). As of March 2009, there are still several phone lines not yet switched over to Telus from the previous carrier. Monthly invoices have been received from both service providers. As a result, savings from the change of service providers has not been fully achieved.</p>	<p>That the long distance service provider (Telus) complete the long distance switch promptly.</p>	<p>Agreed. A tender for long distance services closed July 14 and was awarded to Telus for two years with three one-year extensions. IS staff will work with Telus to ensure a timely completion of this task. A single point of contact has been established between Telus and IS to deal with specific issues and deal with any delays promptly.</p>	<p>Completed. All of the City's long distance phone lines have been switched to Telus.</p>

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FOLLOW UP – JANUARY 2012**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (JANUARY 2012)
9.	<p><b><u>Long Distance Services (Cont'd)</u></b></p> <p>In addition, the City pays a fixed amount of over \$1,200 per month for the Wide Area Telecommunication/ Telephone Service (WATTS) line which makes calls to phone numbers starting with "416" free of long distance charges. A review of long distance invoices received from Primus and Telus indicated a number of calls made to phone numbers starting with "416" directly dialed without going through the WATTS line, thus incurring long distance charges for the City. Several staff questioned regarding this feature were not even aware of the WATTS line. An exercise using the most recent data available for WATTS line usage indicated that the WATTS line no longer provides a cost advantage over standard long distance charges and potential savings could be realized by discontinuing the line.</p>	<p>That a cost benefit analysis be carried out to determine if there is a need for keeping the WATTS line.</p>	<p>Agreed. This has been completed and the WATTS service will be disconnected after the completion of the current VOIP upgrade, planned for the 4<sup>th</sup> quarter 2009.</p>	<p>Completed. The WATTS line has been disconnected. The City is no longer paying for this service.</p>

**TELECOMMUNICATION SERVICES  
FOLLOW UP – JANUARY 2012**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (JANUARY 2012)
10.	<p><b><u>Blackberries with Telus Mobility</u></b></p> <p>At present, Telus Mobility, being the sole provider of push-to-talk Blackberries, provides a number of these units to the City.</p> <p>The following issues were identified during the audit:</p> <ul style="list-style-type: none"> <li>- There is no corporate contract with Telus Mobility and there is no corporate standard process for obtaining and activating such hardware.</li> <li>- User departments have individual contracts with Telus, resulting in different terms and varying monthly rates (\$40-60/month in the sample reviewed).</li> <li>- There is no central inventory of Telus Blackberries for tracking purposes.</li> <li>- No review had been performed to ensure that these existing Telus Blackberries were all push-to-talk type.</li> </ul>	<p>That a corporate contract and a standard process with respect to Telus Mobility Blackberries be established to ensure that user needs are assessed properly when purchases are approved.</p> <p>That the status of existing accounts be tracked by a central inventory (that is updated regularly).</p>	<p>Agreed. This will be completed as part of the RFP award.</p> <p>Agreed. The Supervisor of Contract Management in IS has been assigned the responsibility of ensuring the asset management processes in place maintain a central inventory.</p>	<p>In Progress. The contracts that user departments have entered into with Telus Mobility covering push-to-talk Blackberries are being replaced by new Blackberries with Bell Mobility. The 15 remaining push-to-talk Blackberries will be replaced when their contracts expire. A contract has not been established for the 72 push-to-talk cellular phones that are used primarily by Recreation and Helping Hands.</p> <p>Completed. IS has an inventory and is tracking the status of existing push-to-talk and cellular phone accounts.</p>

**TELECOMMUNICATION SERVICES  
FOLLOW UP – JANUARY 2012**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (JANUARY 2012)
10.	<p><b><u>Blackberries with Telus Mobility (Cont'd)</u></b></p> <ul style="list-style-type: none"> <li>- A few of the sampled users randomly selected had never signed a Cell Phone Use Agreement.</li>   <li>- None of the sampled invoices randomly selected were signed by the users or their supervisors.</li>   <li>As a consequence, the terms of existing individual contracts and the hardware purchased may be less cost effective. Unnecessary or inappropriate purchases could be made without being noticed.</li> </ul>	<p>That a Cell Phone Use Agreement be signed by each user.</p> <p>That monthly invoices be reviewed, signed, approved and maintained as requested by the Cell Phone Use Agreement.</p>	<p>Agreed. As part of the review of cellular phone services for the RFP development, a process will be defined to ensure each user signs a Cell Phone Use Agreement.</p> <p>Agreed. As noted in response #8, recommendation 4, this stipulation will be made in the new cell phone agreements. Expected completion – December 31, 2010.</p>	<p>Incomplete. There are 87 Telus push-to-talk Blackberries and cellular phones for which the users have not signed agreements.</p> <p>Incomplete. At the time of Internal Audit's follow up work, there was no listing of users of Telus Mobility Blackberries and cellular phones. Therefore, review, approval and retention of invoices by individual users could not be confirmed during the fieldwork.</p>

**TELECOMMUNICATION SERVICES  
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#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (JANUARY 2012)
11.	<p><b>Pagers</b></p> <p>Currently the City is paying Bell and Rogers for a number of pagers used by various departments. No contracts for this service were available for Internal Audit's review. At the time of audit, no assessment had been done to determine the user needs for these pagers.</p> <p>As there is no inventory tracking the existing pagers, the accuracy of invoices with respect to the monthly rates and the number of accounts billed is not checked.</p> <p>Therefore, it is possible that some of the pagers may not be needed any more. The City could also be charged for non-existing pagers at incorrect monthly rates.</p>	<p>That an inventory of existing pagers be set up and updated regularly.</p> <p>That the need for the existing pagers be reviewed and the inventory adjusted accordingly.</p> <p>That a process be put in place to ensure the accuracy of the billing for the required pagers.</p>	<p>Agreed. This will be dealt with as part of the RFP process noted in #1 above.</p> <p>Agreed. The requirement for pagers will be reviewed as part of the RFP process.</p> <p>Agreed. A process will be put in place as part of the RFP process.</p>	<p>In Progress. A partial inventory list has been prepared. It is expected to be completed by the end of Q1, 2012.</p> <p>In Progress. The amount spent on pagers in 2011 is approximately half of the amount in 2008 (the time of the original audit). IS continues to review the need for pagers.</p> <p>Incomplete. The BI Tool referred to in the follow up comment of #5 above will help review the accuracy of the billing for pagers. It is expected to be in place by the end of Q3, 2012.</p>

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**ADDENDUM**

The following items were noted during the course of the audit. Although they do not present internal control deficiencies, they are indicated in this Addendum so management is aware of the issues and risks and can address them appropriately.

1. According to the Notification of Signing Authority, both the Manager of Infrastructure and Operations and the Supervisor of Network Services have signing limits of up to \$10,000 for invoices with or without a Purchase Order (PO). It was noted during the audit that the above signing limits had not been adhered to consistently. For example, invoices over \$10,000 for Internet Protocol Telephony (IPT) hardware were signed only by the above Manager and/or Supervisor. In addition, invoices for Blackberry hardware were signed by the Client Support Technician in charge of Bell Blackberries who does not have documented signing authority. When the signing authority limits are not properly enforced, improper invoices could be approved and paid without being so identified.

***It is recommended:***

***That the signing authority limits for different levels of staff be reviewed, updated on the Notification of Signing Authority, where necessary, enforced and consistently followed.***

***Management Response:***

***Agreed. Signing authorities have been established for specific staff and IS will ensure compliance at the appropriate levels.***

***Follow Up Comment:***

***Alternative Implemented. The signing authority limits are enforced by F&A when approving the Purchase Orders. Therefore, as long as the amount on the approved Purchase Order has not been exceeded, F&A will process invoices that have been signed by the department's management regardless of his/her signing authority level.***

2. The purchase of IPT hardware is supposed to be recorded into PeopleSoft General Ledger (GL) account 56147 350003 and cost allocated to departments as individual units are assigned. A few purchases of IPT hardware made in 2008 were recorded into another GL account, resulting in inaccurate IPT cost allocation to departments. In addition, a review of the PeopleSoft Translation Table indicates that multiple PeopleSoft accounts are used for existing Bell Blackberries, cellular phones and phone lines. Some phone lines of the same nature are recorded in different GL accounts. This complicates the cost allocation process and could cause confusion and misleading financial information.

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***It is recommended:***

***That GL accounts associated with telecommunication services (including hardware purchases and monthly fees for various types of land lines, Blackberries and cellular phones) be reviewed for possible realignment in order for expenditures to be recorded in fewer GL accounts.***

***Management Response:***

***Agreed. Financial Services is already reviewing accounts and the account structure. Estimated time of completion is the end of 2010.***

***Follow Up Comment:***

***Completed. The GL accounts associated with telecommunications services have been reviewed. Expenditures are being recorded in the proper accounts.***

3. The following issues were noted with respect to Internet Protocol Telephony (IPT):
- IS tracks IPT phones (hardware) purchased only when units are assigned to departments, not at the time of receipt. As a result, IPT phones (hardware) could go missing without being noted.
  - A review of Avotus (an application tracking IPT extensions) records indicated that there were approximately 70 idle IPT extensions as of March 2009. It is likely that hardware associated with some of these extensions could be used by other departments rather than ordering new equipment. There exist opportunities for potential savings (price per IPT phone is over \$400).

***It is recommended:***

***That the inventory of IPT phones (hardware) be tracked from the time of receipt.***

***Management Response:***

***Agreed. This item has been completed. All IPT phones are now tracked from the time of receipt.***

***Follow Up Comment:***

***Completed. All IPT phones purchased are manually scanned into an inventory spreadsheet. The phones are tracked using the MAC address found on the back of the phone.***



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***That the possibility of cost saving from distributing hardware associated with idle IPT extensions be explored.***

***Management Response:***

***Agreed. IS will take on this responsibility.***

***Follow Up Comment:***

***No Longer Applicable. IS charges the user departments by the hardware (physical IPT phones) that they have in place. If the user departments elect to return idle hardware, they are added to the IS phone inventory spreadsheet referred to above as available for distribution. When the user departments require another IPT phone in the future, they will be charged for its use.***

4. At the time of audit, there was no procedure for reviewing long distance calls made through IPT extensions and/or land lines. As a result, personal long distance calls could be made without being identified and without appropriate cost reimbursements.

***It is recommended:***

***That a procedure for monitoring long distance calls made through IPT extensions and/or land lines and recovering cost associated with personal long distance calls be established and enforced.***

***Management Response:***

***Agreed. IS is currently investigating potential solutions that will provide additional management reporting functions. Enforcement of personal long distance charges being reimbursed by staff would require direction from SMT to put such a policy in place. With the elimination of the WATTS line as noted in #9, the cost of long distance for desk phones will now be less than \$19,000 a year for the entire corporation.***

***Follow Up Comment:***

***No Longer Applicable. The City's long distance charges for 2011 are projected to total less than \$18,000. Since this is not a materially significant amount, it is not financially prudent to invest in the equipment and manpower required to monitor personal long distance calls made through IPT extensions and/or land lines at this time.***