

**OFFICE OF THE CITY CONTROLLER**



**HOUSTON POLICE DEPARTMENT  
CELL PHONE CHARGE REIMBURSEMENTS AUDIT**

**Annise D. Parker, City Controller**

**Steve Schoonover, City Auditor**



OFFICE OF THE CITY CONTROLLER  
CITY OF HOUSTON  
TEXAS

ANNISE D. PARKER

April 3, 2006

The Honorable Bill White, Mayor  
City of Houston, Texas

SUBJECT: Houston Police Department  
Cell Phone Charge Reimbursements Audit (Report 05-33)

Dear Mayor White:

The City Controller's Office Audit Division has completed an audit of Cell Phone Charge Reimbursements of the Houston Police Department (Department). The audit objective was to determine if reimbursements were being collected from individual cell phone users for non-business usage of their city cell phones. If so, the auditors determined whether reimbursements were appropriate, adequately supported, and in compliance with established procedures.

The report, attached for your review, concluded that internal controls related to cell phone reimbursements at HPD are not adequate. The findings and recommendations are presented in the body of the report. Draft copies of the matters contained in the report were provided to Department officials. The views of the responsible Department officials as to actions taken or being taken are appended to the report as Exhibit I.

We appreciate the cooperation extended to our auditors by Department personnel during the course of the audit.

Respectfully submitted,

Annise D. Parker  
City Controller

xc: City Council Members  
Anthony Hall, Chief Administrative Officer  
Michael Moore, Chief of Staff, Mayor's Office  
Harold Hurtt, Chief of Police, Houston Police Department  
Judy Gray Johnson, Director, Finance and Administration Department

901 BAGBY, 8TH FLOOR • P.O. BOX 1562 • HOUSTON, TEXAS 77251-1562  
PHONE: 713-247-1440 • FAX: 713-247-3181  
e-mail: [controllers@cityofhouston.net](mailto:controllers@cityofhouston.net)

## CONTENTS

LETTER OF TRANSMITTAL.....	i
EXECUTIVE SUMMARY .....	1
SCOPE AND PURPOSE .....	2
CONCLUSION .....	2
INTRODUCTION.....	3
AUDIT FINDINGS AND RECOMMENDATIONS	
I. PERSONAL USE OF CELL PHONES .....	3
II. LACK OF CITY-WIDE POLICY - CELL PHONE USAGE .....	4
AVERAGE ANNUAL CELL PHONE COST BY DEPARTMENT – EXHIBIT A	
VIEWS OF RESPONSIBLE OFFICIALS – EXHIBIT I	

## EXECUTIVE SUMMARY

- For calendar year 2004, 12 HPD employees made a total of 12 reimbursements for personal calls. Our examination noted all 12 reimbursements were not verifiable and the amounts reimbursed were estimates. Monthly cell phone statements are not being distributed to the divisions for employees and supervisory review. Management should determine an adequate format for the department's portion of cell phone billings in order to distribute to employees. Additionally, management should require employees to clearly mark all statements on a timely basis so that management can more readily review personal cell phone usage. Further, management should assume a more active role in monitoring cell phone activity.
- Our audit disclosed that there is not a written city-wide policy regarding usage of City cell phones. HPD has a written departmental policy, however, the policy regarding cell phone reimbursements is not being followed. We recommend that HPD comply with their departmental current policy. We also recommend management request the Mayor to consider developing a city-wide cell phone policy. This policy would serve as guidance for departments when developing their departmental policies, issuing cell phones and overseeing their usage.

## SCOPE AND PURPOSE

We have completed an audit of City Cell Phone Charge Reimbursements for the Houston Police Department (HPD). Our audit objective was to determine if reimbursements were being collected from individual cell phone users for any non-business related usage of their City cell phones.

The scope of this audit included the review of reimbursements associated with non-business related usage of City cell phones for the audit period January 1, 2004 through December 31, 2004. The scope of our work did not constitute an evaluation of the overall internal control structure of the Police Department. The scope of the audit was limited to determining whether City cell phone reimbursements were appropriate, adequately supported, and in compliance with established procedures. Due to the sensitivity of the Narcotics Division cell phone usage within the Police Department, we did not perform cell phone charge reimbursements testing for the Narcotics Division. This audit was executed in accordance with Generally Accepted Government Auditing Standards (GAGAS).

HPD management is responsible for establishing and maintaining a system of internal controls to efficiently and effectively perform financial related activities, and to adequately safeguard assets as an integral part of the overall internal control structure. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or theft, and that transactions are executed in accordance with management's authorization and are recorded properly.

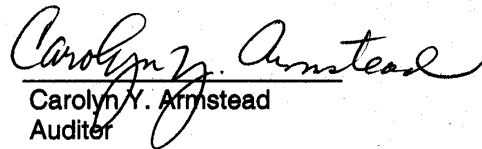
Because of inherent limitations in any system of internal accounting controls, errors or irregularities may occur and not be detected timely. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with procedures may deteriorate.

## CONCLUSION

Based on the results of our audit, we conclude that HPD's internal controls related to cell phone reimbursements are not adequate as indicated in the findings and recommendations presented in the body of the report.



Monika De Los Santos  
Auditor



Carolyn Y. Armistead  
Auditor



Steve Schoonover  
City Auditor

## INTRODUCTION

Cell phone service during our audit scope period of January 1, 2004 through December 31, 2004, was provided by Cingular Wireless (Cingular) under contract number C52372. HPD incurred a cost of \$435,860 for calendar year 2004. The Information Technology Department (IT) is the City's main contact with Cingular. IT receives monthly billings from Cingular, separates the billing by department, and electronically distributes the billing to each department's cell phone liaison. After the departments have reviewed and approved Cingular's bill, IT prepares a payment voucher to pay Cingular and distribute the expense to the departments.

During 2004, the Mayor's staff evaluated the cost of the Cingular contract and requested all department directors justify and assess the number of cell phones needed in their department. On July 1, 2005 Cingular contract number C52372 was replaced by new contracts with Cingular and Verizon Wireless. The new contracts have a two-year term with three one-year options to renew for a total of five years.

## AUDIT FINDINGS AND RECOMMENDATIONS

### I. PERSONAL USE OF CELL PHONES

#### FINDING

Reimbursements for personal use of City-owned cell phones for the HPD totaled \$1,300 for calendar year 2004, while the total cost paid for cell phone service was \$435,860. As shown in Exhibit A, 775 employees or units were issued a City cell phone by HPD. For calendar year 2004, 12 employees made a total of 12 reimbursements for personal calls. Our examination noted all 12 (100%) reimbursements were not verifiable for total minutes of personal usage and accurate calculation. All of the reimbursements were estimates due to no monthly statements were provided to the employees.

Monthly cell phone bills are not being distributed to the divisions for review by the employees and their supervisors. Additionally, when reimbursements are made, employees estimate what is owed to the City in personal calls and simply include a memo stating that reimbursements were for the calendar year.

#### RECOMMENDATION

We recommend that HPD determine an adequate format for the department's portion of cell phone billings and that management should on a monthly basis distribute cell phone statements to employees. We also recommend that management require employees to clearly mark all statements on a timely basis so that personal cell phone usage is more readily reviewed. Further, management should assume a more active role in monitoring cell phone activity. For example, management should

review monthly cell phones with significant usage to ensure that calls either relate to business or have been properly reimbursed by the responsible employee.

## II. LACK OF CITY-WIDE POLICY - CELL PHONE USAGE

### BACKGROUND

Our audit approach consisted of reviewing City Policies and surveying all City departments regarding their cell phone policies and usage. Additionally, we performed detailed tests of personal cell phone reimbursements of selected City Departments. According to IT, all City departments that issue cell phones require each employee to identify and reimburse the City for their personal calls, which is known as the "honor system". If the employee does not identify on the statement which calls are personal, then calls are considered business related.

### FINDING

Our audit disclosed that there is not a written city-wide policy regarding usage of City cell phones. Fourteen of 24 departments have written departmental policies regarding the use and issuance of cellular phones. HPD has a written departmental policy, *General Order for Telecommunications*, however, the policy regarding cell phone reimbursements was not being followed. Without written city-wide policies, departments will not have adequate guidance in issuing cell phones, overseeing their usage and obtaining reimbursement for personal use. Further, written policies provide employees with guidelines for their usage of cellular phones in a proper manner.

### RECOMMENDATION

We recommend HPD comply with their current departmental policy regarding cell phone usage. Pursuant to Executive Order 1-1, *Administrative Procedures*, departments are responsible for indicating the need for written administrative procedures. We also recommend that HPD management request the Mayor to consider developing a city-wide cell phone policy. This policy would serve as guidance for departments when developing their departmental policies, issuing cell phones and overseeing their usage. If the policy allows personal use, the policy should prescribe the requirements for supervisory review, controls for reimbursement collection, deposit, and accounting entries.

Additionally, we recommend in order to assist the reviewer in ensuring calls are business related, written representations should be obtained from the user certifying all calls identified were for business or personal use. Such a procedure would minimize the risk of utilizing City funds for personal purposes.

**EXHIBIT A**

**City of Houston – Cell Phone Services For Calendar Year 2004  
Average Annual Cell Phone Cost By Department**

<b>Dept.</b>	<b>Department Name</b>	<b>No. Of Cell Phones</b>	<b>Total Cell Phone Cost For 2004 In \$'s</b>	<b>Avg. Annual Cost Per Cell Phone</b>
05	Municipal Courts – Admin	9	\$6,001.12	\$666.79
07	Municipal Courts – Judicial	4	\$239.50	\$59.88
10	Police	775	\$435,860.31	\$562.40
12	Fire	483	\$56,118.94	\$116.19
15	Houston Emergency Center (HEC)	6	\$8,638.20	\$1,439.70
20	Public Works & Engineering	838	\$349,406.28	\$416.95
21	Solid Waste Management	36	\$12,478.79	\$346.63
25	Building Services	56	\$22,244.88	\$397.23
28	Aviation	243	\$68,559.32	\$282.14
32	Housing & Community Dev.	36	\$6,942.32	\$192.84
34	Library	12	\$8,242.96	\$686.91
36	Parks & Recreation	88	\$27,815.93	\$316.09
38	Health & Human Services	324	\$75,155.48	\$231.96
42	Convention & Entertainment Fac.	33	\$38,170.74	\$1,156.69
50	Mayor's Office	33	\$22,832.73	\$691.90
51	Affirmative Action	6	\$2,946.30	\$491.05
55	City Council	10	\$11,558.23	\$1,155.82
60	City Controller	4	\$1,527.41	\$381.85
65	Finance & Administration	30	\$8,634.69	\$287.82
68	Information Technology	73	\$25,598.48	\$350.66
70	Planning & Development	111	\$120,923.80	\$1,089.40
75	City Secretary	0	N/A	N/A
80	Human Resources	19	\$5,511.05	\$290.06
90	Legal	3	\$2,764.57	\$921.52
99	General Government		\$99.85	
<b>GRAND TOTAL</b>		3,232	\$1,318,271.88	\$407.88

**N/A** Not Applicable

**Note 1:** Number of Cell Phones – obtained from a Questionnaire Survey completed by each department except HEC. The Office of Emergency Management replied to their portion of the questionnaire and therefore the numbers provided were used in our schedule.

**Note 2:** Total Cell Phone Cost for 2004 - obtained from Payment Voucher support for the monthly payment to Cingular.

The above table represents the amount spent by each department and an average annual cost per cell phone.



## **EXHIBIT I**

### **CITY OF HOUSTON**

**INTER OFFICE CORRESPONDENCE**

**TO:** Annise D. Parker  
City Controller

**FROM:** Harold Hurtt  
Chief of Police

**DATE:** March 21, 2006

**SUBJECT: Audit of Cell Phone  
Reimbursements**

This is in response to the Police Department's portion of the citywide audit on cell phone reimbursements. The Department is implementing tighter procedures and controls to ensure proper reimbursements are made.

HPD has been pursuing methods to distribute and monitor the cell phone bills of the department. The department's monthly billing file has been so large that it cannot be downloaded into a format that could be easily distributed to employees timely without the use of extensive manpower. Further, the bills have sensitive, investigative information from the phones used by undercover officers and other investigators; therefore, distribution of billing information must be somewhat controlled. It is our understanding that Information Technology Department is currently researching a method to supply the billings in a more user-friendly format. The Police Department will readily embrace any helpful technology to help in the billing and monitoring process. Further we would like to see an allowance system initiated so that the burden would be on the employee to get reimbursed for any amount above the allowance rather than the City expending resources trying to collect for amount spent on personal calls.

#### **PERSONAL USE OF CELL PHONES**

##### **FINDING**

Reimbursements for personal use of City-owned cell phones for the HPD totaled \$1,300.00 for calendar year 2004 while total costs paid for cell phone service was \$435,860.00. As noted in Exhibit A, of 775 employees or units were issued a City cell phone by HPD. For calendar year 2004, 12 employees made a total of 12 reimbursements for personal calls. Our examination noted all 12 (100%) reimbursements were not verifiable for total minutes of personal usage and accurate calculation. All of the reimbursements were estimates due to the fact that no monthly statements were provided to the employees.

Monthly cell phone bills are not being distributed to the divisions for review by the employees and their supervisors. Additionally, when reimbursements are made, employees estimate what is owed to the City in personal calls and simply include a memo stating that reimbursements were for the calendar year.

*Views of Responsible  
Officials*

# EXHIBIT I

Annise Parker

2

March 21, 2006

## RECOMMENDATION

We recommend that HPD determine an adequate format for the department's portion of cell phone billings and that management should on a monthly basis, distribute cell phone statements to employees. We also recommend that management require employees clearly mark all statements on a timely basis so that personal cell phone usage is more readily reviewed. Further, management should assume a more active role in monitoring cell phone activity. For example, management should review monthly cell phones with significant usage to ensure that calls either relate to business or have been reimbursed by the responsible employee.

## RESPONSE

HPD has not been able to process into an understandable, employee distributive format the electronic media that the Department receives with the cell phone billing information. HPD has not been successful to-date in having either the City or the Department's IT group process the bill into a usable format that individual users can understand. The Department's financial staff has tried to download the data to an Excel spreadsheet, but the file contains more rows than Excel will accept. Lacking this ability, it is too labor intensive and probably not cost effective.

If the City will provide understandable billings or data in a format that can be distributed to the individuals with cell phones without users questioning exactly what a number means or what a charge is for, HPD will distribute the bill to the end users. HPD has contacted other city departments to see if their solution is workable within the department. Further, with the billings under the new cellular phone contract, the City's IT and HPD's own IT section is working to produce a more user friendly method for bill distribution, while protecting sensitive information from phones used by undercover officers. In the interim, the Department is establishing a process for a monthly review of the fifty top users.

*Views of Responsible  
Officials*

## FINDING

Our audit disclosed that there is not a written city-wide policy regarding usage of city cell phones. Fourteen of 24 departments have written departmental policies regarding the use and issuance of cellular phones. HPD has a written departmental policy, General Order for Telecommunications, however, the policy regarding cell phone reimbursements was not being followed.

Without written citywide policies, departments will not have adequate guidance in issuing cell phones, overseeing their usage and obtaining reimbursement for personal use. Further, written policies provide employees with guidelines for their usage of cellular phones in a proper manner.

# EXHIBIT I

Annise Parker

3

March 21, 2006

## RECOMMENDATION

We recommend that HPD comply with their current departmental policy regarding cell phone usage. Pursuant to Executive Order 1-1, Administrative Procedures, departments are responsible for indicating the need for written administrative procedures. We also recommend that HPD management request the Mayor to consider developing a citywide cell phone policy. This policy would serve as guidance for departments when developing their departmental policies, issuing cell phones and overseeing their usage. If the policy allows personal use, the policy should prescribe the requirements for supervisory review, controls for reimbursement collection, deposit, and accounting entries.

Additionally, we recommend in order to assist the reviewer in ensuring calls are business related, written representations should be obtained from the user certifying all calls identified were for business or personal use. Such a procedure would minimize the risk of utilizing City funds for personal purposes.

## RESPONSE

The Police Department will implement any city-wide cell phone policies, if the bills received from the cell phone companies can easily be processed to identify individual users and each of their calls, while still being able to protect the sensitive information on the billings. A citywide policy has been discussed at department heads meetings. If was suggested that employees could make voluntary contribution based on estimates, which is what occurred in the above finding. The Police Department has recommended also to the Administration that any policy include the use of a cell phone allowance for some, if not all, users to eliminate the labor-intensive process of seeking reimbursement for personal calls. As stated previously, due to the labor and time requirements resulting from existing formats, it is not cost effective to follow the department policy. It is our understanding that the Information Technology Department is working on a solution to the bill distribution problem. In addition, the Department's Technology Division is reviewing alternative solutions. Concurrently, an internal working group has been established to rewrite the current department policy to make it more effective and clarify permissible uses.

*Views of Responsible  
Officials*

  
Harold L. Hurtt  
Chief of Police

Enclosure  
COP # 06-19811