



## **Audit of the Cell Phone Stipend Process**

**Project #18-13**

**Prepared by**  
Office of the Inspector General

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# SOUTH FLORIDA WATER MANAGEMENT DISTRICT

November 7, 2018

Audit and Finance Committee Members:

Re: Audit of Cell Phone Stipend  
Process –  
*Project No. 18-13*

This audit was performed pursuant to the Inspector General's authority set forth in Chapter 20.055, F.S. Our objectives primarily focused on evaluating the effectiveness of the District's cell phone stipend program and the cost efficiency of the program versus the prior process of issuing District-owned devices. Alyassia Taylor and I prepared this report.

Sincerely,

A handwritten signature in blue ink, reading "J. Timothy Beirnes".

J. Timothy Beirnes, CPA  
Inspector General

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## TABLE OF CONTENTS

<b>BACKGROUND .....</b>	<b>1</b>
<b>OBJECTIVE, SCOPE, AND METHODOLOGY .....</b>	<b>2</b>
<b>AUDIT RESULTS .....</b>	<b>3</b>
<b>Executive Summary .....</b>	<b>3</b>
<b>Cost Benefits of Stipend Program .....</b>	<b>4</b>
<b>Strengthen Controls Over Stipend Process .....</b>	<b>4</b>
<b>Recommendations .....</b>	<b>7</b>

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## BACKGROUND

Due to the nature of the District's work and the vast size of our jurisdiction, it is pertinent to have access and communication with certain employees at all times. The District relies on wireless devices for the safety of employees as well as to facilitate up-to-date information exchange. The District uses voice-only phones, smartphones, tablets and hotspots to ensure that employees can be reached in the field, produce accurate and timely data, and communicate during emergencies. The Information Technology (IT) Division is responsible for managing the wireless devices as well as the wireless device stipend program.

Prior to implementing the stipend program, District-owned wireless devices were costing the District over \$300,000 per year. In Fiscal Year 2014, to lower costs, the District moved from a district-owned wireless device program to one where participating employees are paid a stipend to use personal devices for business purposes. The program launched with a pilot of IT employees. In Fiscal Year 2015, the program was extended Districtwide. Employees in the stipend program receive a monthly stipend of \$15 - \$58, depending on their approved level of usage. There were 568 employees who had district-owned devices in 2014, prior to the start of the stipend program. There were approximately 269 employees participating in the cell phone stipend program in Fiscal Year 2017, while 172 employees use District-owned devices, most of which are voice-only phones.

Wireless Device Costs FY 2013 – FY 2017			
Fiscal Year	District-Owned Devices*	Wireless Device Stipend	Total
2013	\$317,995	\$0	\$317,995
2014	\$305,815	\$1,714	\$307,529
2015	\$207,180	\$59,970	\$267,150
2016	\$101,065	\$104,172	\$205,237
2017	\$58,360	\$104,279	\$162,639

\*The District-Owned device expenditure also includes the cost for hotspots and iPads with cell service

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## **OBJECTIVE, SCOPE AND METHODOLOGY**

Our audit objective primarily focuses on evaluating the effectiveness of the District's cell phone stipend program and determine whether:

- The current stipend program is more cost efficient compared to the previous method of providing devices directly;
- The established criteria for determining eligibility for receiving a stipend is applied consistently; and
- Employees are compensated according to the designated stipend level.

The scope of the audit included wireless device payments and plans for employees between Fiscal Years 2015 and 2017, as well as comparative analysis of the wireless device payments prior to the start of the stipend program. To accomplish our objectives, our audit work included, but was not limited to the following steps:

- Interviewing IT Department and other staff;
- Reviewing any written policies and procedures regarding the Cell Phone Stipend process;
- Reviewing costs of wireless device spending before and after implementation of the stipend program; and
- Performing tests of a judgmental sample of payments to employees, and the controls over the payments.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## AUDIT RESULTS

### Executive Summary

Overall, our audit disclosed that the stipend program has been effective and is more cost efficient than the former process of providing District-owned devices to employees. The stipend method has reduced the total wireless devices cost from approximately \$318,000 in 2013 to \$163,000 in 2017, for an annual savings of about \$155,000, a reduction of almost 50%. The average amount paid to employees has decreased \$191 annually.

We concluded that the stipend payments to employees were paid accurately and aligned with the employees' approved stipend levels. However, the controls over the stipend process could be strengthened to ensure consistency and accuracy in the approval process, and formally outline expectations for the program. Specifically:

- The policies and procedures in Municode should be updated to include specifics of the stipend process.
- The IT Division should implement formal documented review processes to ensure that when employees transfer to new positions their eligibility for the stipend is reassessed based on the new job responsibility.
- The District should develop a formal policy regarding the use of text messaging for District business and their impact on public records requests.

We made two recommendations to strengthen the controls over the stipend program.

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## **Cost Benefits of Stipend Program**

Based on a review of the reported costs of the stipend program compared to the costs of using only District-owned wireless devices, the stipend program is more cost-beneficial to the District than providing devices to employees. Since the inception of the stipend program, the annual costs of wireless devices for the District have decreased by \$155,356, which is approximately half the cost before the program was implemented. Some of the savings is also due to assessing wireless device needs and reducing the number of employees provided with wireless devices or stipends. The average cost per employee for wireless devices in 2014 was \$559, compared to \$368 in 2017.

There were no additional costs to the District for maintenance or insurance for District-owned devices, because the District does not insure its devices. When a device breaks or is lost, it is replaced. Most of the devices are provided to the District free of charge with a 2-year agreement.

## **Strengthen Controls over the Stipend Process**

### ***Update Policies and Procedures***

The Wireless Devices policies and procedures in Municode have not been updated to include details of the stipend program. The policy, “Article VII – Wireless Device,” includes policies on the use of wireless devices and “Bring Your Own Device” yet does not discuss the use of stipends, including the formal process and rules for approval and removal from the program.

According to the IT staff responsible for the stipend program, the policy was revised to include information on the stipend program, but these updates were removed due to an appearance of redundancy. There is a Frequently Asked Questions (FAQ) page available to employees on the intranet. There is also a Stipend Approval Form which employees must complete. However, a formal written policy for the program protects the District from issues which could arise through miscommunication by defining expectations for employees.

### ***Approval Process***

To receive a stipend, an employee must complete a Stipend Approval Form and provide a wireless phone bill. The form is approved by the employee’s Bureau Chief and Division Director, and then forwarded to the IT Department for processing. The phone bill is used to help determine

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what stipend level the employee should receive, and to substantiate the employee's cell phone account. The employee's Bureau Chief and Division Director are responsible for determining who is approved for a stipend and at what level.

The controls over stipend approvals could be improved to ensure that all employees provide the required documentation prior to approval. We reviewed the records and payments for 30 employees from Fiscal Year 2015, and 35 employees from each of Fiscal Years 2016 and 2017. All the Stipend Approval forms tested in the sample were completed and signed by all required parties. However, during testing we noted that the documentation for the program was not complete for all employees who received stipends during the scope of the audit. For example, we found the following:

- An employee was approved for stipend payments having provided a bill for home television service instead of a cell phone bill.
- An employee received a stipend for three months without providing a cell phone bill. The stipend was discontinued after multiple attempts to retrieve the required phone bill documentation.
- An executive employee received a stipend without completing a stipend approval form. The employee was given the choice between a District-owned device and the stipend and chose the stipend. In lieu of an approval form, the email discussion of this decision was provided as documentation.

Although the Stipend Approval form states that cell phone bill documentation must be attached to the form for approval, there were instances where the stipends were approved without providing a cell phone bill. This control weakness could be strengthened by implementing and adhering to a written policy requiring documentation prior to approval for all stipend payments.

Additionally, a written policy could ensure consistency in approving stipend levels. Stipends are paid to employees at one of three levels:

- Voice-only at \$15 per month;
- Standard level at \$38 per month; and
- High volume at \$58 per month.



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Most participating employees receive the Standard level. The level at which an employee is approved is determined by the employee's management. We noted two instances in the sample where the documentation included a discussion between IT and the employees' management. In these instances, justification was provided for approving the employees at a lower stipend level than what was requested on their approval forms. There currently is no formal documentation maintained for the process of determining which stipend amount an employee receives. Therefore, we could not determine whether the stipend levels are consistently applied to all employees.

### ***Review of Employees Receiving Stipends***

According to IT staff the wireless stipend Frequently Asked Questions (FAQ), there are two reviews conducted to ensure that employees are receiving the adequate stipend level, and that employees who have transferred to new positions within the District still need to use their personal phone for District business (and continue to receive a stipend). The first is a semiannual review of all employees receiving stipends. Stipend levels are reviewed based on the amount of phone and data services used to determine whether the employee is being paid at an adequate stipend level. The second is a monthly review of change reports to determine whether employees who transfer to new positions still need to use their personal phone for District purposes.

The IT Division does not maintain sufficient documentation to substantiate whether these reviews are occurring as outlined in the FAQ. Currently, the reviews are passive, i.e., depending on division management to notify IT that an employee no longer needs a stipend. The primary controls which would ensure that stipends are paid only to employees who are currently needing them are these reviews, initiated by the IT Division. There were no instances noted during testing where an employee who no longer needed a stipend continued to receive one. However, documented reviews on a consistent basis will help ensure the stipend funds are only paid to employees as necessary for their position.

### ***Public Records Requests***

Controls should be strengthened to ensure that public records responses are complete, and to minimize the possibility of subpoena of personal devices. Employees are discouraged from using their wireless devices to conduct official business via text message, as this could create responsive documentation for public records requests. If important communication occurs via text

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message, employees are advised to take a screenshot of the text conversation and email it to their district inbox, which is maintained on a server and can be archived for later use. However, there are no controls in place that ensure that text messages which could be considered official business are indeed archived and maintained for open records purposes. When someone submits a public records request, the staff responsible for responding to the request asks pertinent employees if there is any responsive documentation in their possession. The District is currently relying on an “honor system” for public records requests that could be in text message format. This presents a risk that responsive information will not be provided from an employee’s personal device either intentionally or unintentionally. The District could be found in violation of the public records law. Moreover, those who request public records information could request the information from an employee’s personal device, including subpoenaing a device, possibly presenting a privacy issue for employees and the District. A formal policy regarding text messaging for business purposes – either discouraging it altogether or requiring that messages be archived on District servers for later use – would ensure that public records requests can be answered completely without the need to retrieve information from personal devices.

## **Recommendations**

- 1. Update the Wireless Device policies and procedures in Municode. The policies should include, but not be limited to:**
  - **All requirements necessary to be approved for the stipend (including documentation and usage requirements for each stipend level);**
  - **Use of text messages for District purposes; and**
  - **Any actions that will result in removal from the stipend program.**

**Management Response:** The Cell Phone Stipend Procedure will be added to the Wireless Device Procedure in Municode (Article VII Section 230). The implementation and removal of the stipend will be at the discretion of Executive Management.

The usage of text messaging is addressed under Section 230-114 – Short Message Service (SMS) – Text Messages – Instant Messages - Chat.

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**Responsible Division:** Information Technology

**Estimated Completion:** December 31, 2018

2. **Implement and maintain a formally documented review process to ensure that when employees transfer to new positions their stipend eligibility is reassessed, and that stipends are aligned with the business needs of the District.**

**Management Response:** Asset Management receives a monthly report for organizational title changes. When an employee with a stipend moves to a new organization or has a title change from their current job family, Asset Management will contact the new supervisor to confirm that the stipend is still required. In addition, every six months Information Technology will send a stipend report to Executive Management for their review.

**Responsible Division:** Information Technology

**Estimated Completion:** Completed.