

State of Nevada
Governor's Finance Office
Division of Internal Audits

Audit Report

Governor's Finance Office

**Statewide
Cell Phone/Mobile Device Use**

DIA Report No. 20-12
July 6, 2020

EXECUTIVE SUMMARY
Governor's Finance Office
Statewide Cell Phone/Mobile Device Use

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Lack of standardized statewide policy on state issued cell phones/mobile devices has led to inconsistent treatment for employees among agencies. Some agencies have comprehensive cell phone/mobile device policies, others have limited information in their policies, and some have no policy. Developing statewide cell phone/mobile device use policy will eliminate variability in cell phone/mobile device policies among agencies, outline eligibility requirements for state issued or employee owned cell phone/mobile devices and help reduce costs.

State Administrative Manual section 1616 does not require a statewide policy for all state agencies but requires each agency to develop a cell phone/mobile device policy. We sampled 11 agencies, four have comprehensive policies, others have limited information in their policies and one agency has no policy. The state has security program policy and mobile device security standards with objectives such as: effective management of risk to the state, reduce opportunities for errors to enter into the state system and promote and increase the awareness of information security in all state agencies.

A statewide cell phone/mobile device use policy ought to include criteria for issuance of state cell phone or stipends. The criteria should include requirements such as: determination of eligibility for cell phone/mobile devices, whether an employee is on on-call status that requires cell phones/mobile device, and whether the position requires the employee to respond to emergencies. The Governor's Finance Office expects to fully implement the recommendation by July 2021.

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Agencies provide state issued cell phones to employees at a higher cost to the state rather than offer employees a lower cost stipend option. Determining the best cell phone/mobile device use option and assessing if usage data supports cell phone/mobile device expenditure will reduce state cell phone/mobile device payments and potentially benefit the state between \$25,000 and \$43,000.

In addition to not having a consistent cell phone/mobile device policy, cell phone service costs vary for state issued phones depending on service plans. Agencies paid a range of rates per line for various service combinations from \$15.99 for limited service to \$70 per month with an average rate of \$59.

A less costly option exists by allowing employees to use their personal cell phone to conduct state business. The state pays on average \$33 per month for stipends with no criteria on how the

stipend amount was determined and pays \$59 on average for state issued phones. While some employees are offered the option of using personal phones to conduct state business, such options are not readily available in all agencies. A study published by Oxford Economics supports stipend payment to employees based on the size of the business. California Higher Education Institutions developed tiered approach for cell phone stipends but Nevada and other states in our survey have no such defined approach. Stipend payment is a less costly option; however, some employees and agencies will need state issued phones because of the nature of their work. In addition, personal and state issued cell phone/mobile devices may be subject to both public record requests and subpoenas.

A federal executive order and OMB Guidance direct agencies to better manage cell phone/mobile device spending, to include having employee mobile device inventory to be used to assess device usage. Without adequate information including cell phone/mobile device usage data, agencies will be limited in their ability to track usage and make decisions to optimize cost savings. Agencies could perform quarterly reviews that can determine if usage data supports cell phone expenditures. Without such a review, the state may be paying for state phones or stipends that are no longer warranted. The Governor’s Finance Office expects to fully implement the recommendation by June 2021.

Objective 2: Ensure Proper Tax Treatment of Cell Phone Stipends

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SAM guidance on taxability of cell phone stipends is incorrect and inconsistent with IRS guidelines. Current SAM states “stipend will be taxable income to the employee and will be reported on their W-2, Wage and Tax Statement”. The IRS and the Office of the Attorney General (OAG) state that a cell phone stipend is non-taxable. SAM needs to be revised to reflect IRS and OAG guidelines on treatment of cell phone stipends. Revising SAM to reflect current guidance on cell phone stipends will ensure SAM is properly updated and follows federal guidelines. The Governor’s Finance Office expects to fully implement the recommendation by June 2021.

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INTRODUCTION

At the direction of the Executive Branch Audit Committee, the Division of Internal Audits conducted an audit of statewide cell phone/mobile device use for state business. Our audit focused on cell phone/mobile device use and the taxability of cell phone stipends. The audit's scope and methodology, background, and acknowledgements are included in Appendix A.

Our audit objectives were to develop recommendations to:

- ✓ Improve statewide cell phone/mobile device use for state business; and
- ✓ Ensure proper tax treatment of cell phone stipends.

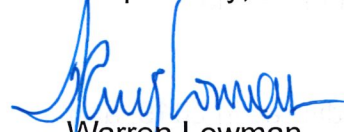
Department of Administration and Governor's Finance Office Response and Implementation Plan

We provided draft copies of this report to the and Governor's Finance Office (GFO) for their review and comment. The GFO's comments have been considered in the preparation of this report and are included in Appendix B. In their response, GFO accepted our recommendations. Appendix C includes a timetable to implement the recommendations.

NRS 353A.090 requires within six months after the final report is issued to the Executive Branch Audit Committee, the Administrator of the Division of Internal Audits shall evaluate the steps the GFO have taken to implement the recommendations and shall determine whether the steps are achieving the desired results. The administrator shall report the six-month follow-up results to the committee and the GFO.

The following report (DIA Report No. 20-12) contains our *findings, conclusions, and recommendations*.

Respectfully,



Warren Lowman
Administrator

Improve Statewide Cell Phone/Mobile Device Use for State Business

The state can improve cell phone/mobile device use for state business by:

- Developing a statewide cell phone/mobile device use policy; and
- Determining the best cell phone/mobile device use option and assessing if usage data supports cell phone/mobile device expenditure (state agencies).

Improving cell phone/mobile device use for state business will help limit expenditures on cell phone/mobile devices and potentially benefit the state between \$25,000 and \$43,000.¹

Develop Statewide Cell Phone/Mobile Device Use Policy

The state should develop a statewide cell phone/mobile device use policy. A statewide cell phone/mobile device use policy will eliminate variability in cell phone/mobile device policies among agencies, outline eligibility requirements for state issued or employee owned cell phone/mobile devices and help reduce costs.

No Standard Cell Phone/Mobile Device Policy for Agencies

There is no standard cell phone/mobile device policy for state agencies. In fiscal year 2019, the state's cell phone/mobile device costs were approximately \$2.8 million. The state has a decentralized approach in managing cell phone/mobile devices by allowing agencies to develop their own policies.

According to the State Administrative Manual (SAM) section 1616, "Each department of the State of Nevada must develop a cellular telephone, portable tablet, or other mobile device policy that meets the department's specific needs regarding the necessary use of such devices for work-related activities..."

SAM does not require a statewide policy for all state agencies. Some agencies have cell phone/mobile device policies while others do not. We sampled 11 state agencies to determine adherence to SAM based on the following criteria:

- Agencies with cell phone stipends;
- Agencies with over \$100,000 for state cell phone expenditures in 2019; and
- Included Nevada Department of Corrections and Enterprise Information Technology Services (EITS) because of the importance of their cell phone/mobile device use.

¹ This potential saving is based on a sample of 3,308 cell phones from 10 agencies.

The agencies selected in this sample represent approximately 65% of total state cell phone/mobile device spending for fiscal year 2019.

Ten of the 11 agencies have written cell phone/mobile device use policies and one does not. Only four of the 11 agencies in our sample have comprehensive cell phone/mobile device use policies, others have limited information. The agencies that do not have agency specific cell phone/mobile device policies use the statewide security policy in lieu of developing cell phone/mobile device use policies as required by SAM 1616. See Appendix D for the policy comparison chart on the 11 agencies in our sample.

State Policies Address Security Concerns

The state security program policy and mobile device security standards developed by the Department of Administration, Office of Information Security address security concerns over state data and information systems. The primary objective of the state security program policy is to:

- Effectively manage the risk of security exposure or compromise within state entity IT systems;
- Communicate the responsibilities for the protection of state entity information;
- Establish a secure processing base and a stable processing environment within state entities and throughout the state;
- Reduce to the extent possible the opportunity for errors to be entered into an IT system supporting state entity business processes;
- Preserve management's options in the event of state data, information, or technology being misused, lost, or unauthorized access; and
- Promote and increase the awareness of information security in all state entities and with all state employees.

These policies are designed to protect state data and IT systems within the Executive Branch of Nevada State Government. These policies do not address cell phone/mobile device use and stipends.

A Statewide Cell Phone/Mobile Device Use Policy Ought to Include Criteria

A statewide cell phone/mobile device use policy ought to include the following criteria for issuance of a state cell phone or stipends to employees:

- Management – a management position whose critical component includes immediate contact with staff, clients, government, or other management;
- Work location – work assignments that take the employee away from the primary work location either to service clients, complete assignments, and/or other state business;
- Emergencies – a position responsibility that includes emergency response and/or resolution of critical issues;
- On call – a responsibility that requires the employee to be either on call and/or expected to respond to problems during non-business hours; and
- Eligibility – determination for stipend payment and payment amount.

These criteria will help ensure consistency in cell phone/mobile device use among state agencies.

Conclusion

Lack of standardized statewide policy on state issued cell phones/mobile devices has led to inconsistent treatment among agencies. Some agencies have comprehensive cell phone/mobile device policies, others have limited information in their policies, and some have no policy. Developing a statewide cell phone/mobile device use policy will address these issues, eliminate variability in cell phone/mobile device policies among agencies, outline eligibility requirements for state issued or employee owned cell phones, and help reduce costs.

Recommendation

1. Develop statewide cell phone/mobile device use policy.

Determine the Best Cell Phone/Mobile Device Use Option and Assess if Usage Data Supports Cell Phone Expenditures

The state should determine the best cell phone use option and assess if usage data supports cell phone expenditures. Determining the best option and assessing the usage data may reduce the state's cell phone payments and potentially benefit the state between \$25,000 to \$43,000 annually.

Cell Phone Use Options Exist for State Business

The state has three options for employees to conduct state business on cell phones/mobile devices:

1. Issue state owned cell phones/mobile devices to employees;
2. Pay a stipend for the use of personal cell phones/mobile devices; or
3. Use personal cell phones/mobile devices without compensation.

For fiscal year 2019, the state spent approximately \$2.8 million on state owned cell phones and other mobile devices and approximately \$39,000 in stipend payments to employees for use of their personal cell phones for state business.

Cell Phone Service Costs Vary for State Issued Phones

In addition to not having a consistent cell phone/mobile device policy among agencies, cell phone service costs also vary for state issued phones depending on service plans. Agencies paid a range of rates per line for various service combinations, from \$15.99 for limited services (i.e., paying per minute for voice and per megabyte for data) to \$84 for unlimited voice, data, and text. Agencies also paid different rates for the same bundle of services. For example, for the unlimited voice, text, and data bundles, agencies paid between \$48 and \$70 per month depending on the type of phone for an average cost of \$59. The lack of consistent cell phone use policy across state agencies results in some agencies paying higher cell phone costs than others.

Stipends Are Less Costly Than State Issued Phones

Stipends made to reimburse employees for the personal use of their cell phones are less costly than payments for state issued cell phones. For the 11 agencies in our sample, four of the agencies paid stipends between \$30 to \$39 per month, for an average monthly stipend of \$33 to state employees.² In addition, we reviewed cell phone payments for 54 individuals with state issued cell phones. We noted rates for state issued phones varied by provider, phone type and individual plans. The fiscal year 2019 average monthly cost for state issued cell phones with

² Average stipend payment \$33 ($\$33.36 + \$39 + \$30 + \$30 = \$132.36/4$)

unlimited voice, data and text is \$59; whereas, the state paid on average \$33 for the personal use of an employee’s cell phone for state business. This is a savings of approximately 44% of the amount paid for state issued phones.

Nevada Has No Criteria for Stipend Amounts

SAM 1616 does not provide criteria for the stipend amount that should be paid to employees for the personal use of their cell phones for state business. We sampled 11 state agencies and only four had stipends documented in their policies as shown in Exhibit I.³

Exhibit I

Monthly Stipend by Agency

Agency	DETR	Agriculture	EITS	NDOW
Stipend	\$33	\$39	\$30	\$30

Source: Agency policies and procedures.

There is no consistency among state agency stipends. In addition, only one of the policies reviewed had criteria for the amount of stipend to be paid. The Department of Employment Training and Rehabilitation (DETR) is the only agency that documented the calculation for their stipend, “The amount of stipend shall be equivalent to the cost of an upgraded base mobile device data plan, currently \$33.36.” The policy was last revised in June 2015 and the stipend calculation is still in use.

SAM 1616 states: “The stipend amount will remain the same regardless of the amount of State business conducted on the personal device.” This policy could lead to waste of state resources and needs amendment based on information similar to the proposed rates in Exhibit III.

Stipend Criteria Exists for Employees Use of Personal Cell Phones

Organizations and businesses such as two California higher education institutions and businesses included in a survey conducted by Oxford Economics indicate criteria exists for stipends based on usage or size of the organization.

California Higher Education Institutions
Use Tiered Approach for Stipends

Some California higher education institutions use a tiered approach for stipends based on the level of employee’s use of personal cell phone for business purposes. See Exhibit II.

³ The Nevada Commission on Ethics is the only agency in our sample that paid stipends without a cell phone/mobile device policy.

Exhibit II

California Higher Education Institutions Policy on Stipends^{4,5}

Cell Phone	Smartphone Use			Tablet	Hotspot
	Occasional Use (10%)	Regular Use (25%)	Extensive Use (40%+)		
\$40	\$20	\$40	\$60	\$30	\$30

Source: California State University Dominguez Hills and Menlo College cell phone stipend policies.

Oxford Economics Survey Supports Lower Cost Stipends for Organizations

According to a survey by Oxford Economics (Oxford) "Mobile phone stipends have become increasingly common in recent years as corporate and public sector organizations have adopted Bring Your Own Device (BYOD) policies." According to a survey by Oxford, the vast majority of organizations with BYOD policies provide stipends to employees based on the size of the organization. Most of the companies are paying between \$30 and \$50 per month with an average monthly stipend of \$36.⁶ Smaller companies provide stipends of less than \$30 per month.⁷

Other States Stipend Amounts Vary Significantly

Other states' stipend amounts vary significantly. We surveyed other states' cell phone/mobile device stipends and noted a range of stipend rates from \$10 for voice only to \$108 for voice and data.⁸ Additionally, these states did not stipulate criteria for the amount of stipend reimbursement for the personal use of employee's cell phone.

A State Rate is Needed to Guide Agency Decisions

The state can determine an appropriate rate for stipends to guide agency decisions and require agencies to use the pre-determined rate for all their stipends. Currently there is no pre-determined rate for state agencies or parameters on how to determine a rate for cell phone stipends. Consequently, there is a 30% difference in agency stipends. The state can determine an appropriate rate using a tiered approach adopted by the two California higher education institutions or use the stipend amounts noted in the Oxford survey to reimburse employees for the personal use of their cell phones for state business.

⁴ Two California higher institutions policies on stipends (California State University, Dominguez Hills Foundation and Menlo College).

⁵ California State University, Fresno California has a higher tiered stipend amounts (Low \$1-\$50, Med \$51-\$80, High \$81-\$150).

⁶ Oxford Economics is a forecasting and quantitative analysis company used by multinational companies, financial institutions, government bodies, and universities.

⁷ Smaller companies in the Oxford survey population are those with revenues of less than \$1 billion.

⁸ Arizona, Utah, New Mexico, Idaho, and Washington.

The state's current stipends based on our sample are between \$30 and \$39 and are in line with the payments for small companies noted in the Oxford survey. A 25% reduction in the rates of the two California higher education institutions is based on the state's lowest stipend rate (\$30). Reducing the higher education institution tiered amounts by 25% would result in amounts shown as proposed tiered stipend options in Exhibit III.⁹

Exhibit III

Proposed Stipends Options for State Employees

Cell Phone	Smartphone Use			Tablet	Hotspot
	Occasional Use (10%)	Regular Use (25%)	Extensive Use (40%+)		
\$30	\$15	\$30	\$45	\$23	\$23

We estimate a potential savings between \$25,000 and \$43,000 annually if employees were given the option of a stipend for personal cell phone use or fail to meet the criteria for a state issued cell phone/mobile device.^{10,11,12}

Stipend Option Not Offered in Some State Agencies

While some employees are offered the option of using personal phones to conduct state business, stipends are not offered in some agencies even though allowable by SAM 1616. Agencies provide state issued cell phones at a higher cost to the state rather than offer stipends to employees.

Some Employees Need State Issued Phones

While offering employees a stipend for personal use of their cell phone may be the best option for the state based on costs, some employees and agencies still need state issued phones due to the nature of their jobs or agencies. For example, Public Safety and Law Enforcement may need state issued phones as most if not all of their cell phones information may be subject to frequent subpoenas or public information requests. On the other hand, agencies with field agents such as Nevada Department of Agriculture may benefit from offering stipend payments to

⁹ California higher institution cell phone = \$40
 Nevada lower stipend rate = \$30
 Reduction in stipend rate = \$40-\$30 = \$10; \$10/\$40 = 25%. All California higher institution tiered rates are reduced by 25% to calculate possible stipend options (Exhibit III).

¹⁰ Vermont State Audit Report No. 13-07 found that approximately 29% of state issued phones had limited to no usage. We assume 29% of Nevada state issued phones may also have similar usage. Therefore, the state can benefit by paying stipend at a cheaper rate than state issued cell phones. See Appendix E.

¹¹ Some agencies such as public safety may require state issued phones. However, we assume that at least 50% of other employees including agency administrators may prefer the use of their personal phones instead of state issued phones. See Appendix E.

¹² We also assume that stipend payments were made to employees with limited use cell phones.

employees. For the stipends paid in fiscal year 2019, Nevada Department of Wildlife accounted for approximately 80% of the total stipend payments.¹³

All Cell Phones Used for State Business May Be Subject to Public Records Requests

The Office of the Attorney General (OAG) has advised that personal cell phones used for state business may be subject to public records requests; however, such requests only pertain to documents or communications regarding the provision of a public service. This would include documents or communications generated in performance of a public employee's employment duties on behalf of the public. According to the OAG, public records requests would not include a review of purely personal data.

Quarterly Review of Usage Data Will Benefit State Agencies

Every state agency would benefit by reconciling usage data provided by the cell phone providers on at least a quarterly basis to determine if the employee's usage supports the expenditures for state issued cell phones or stipend payments. Determining if usage data supports expenditures will help limit costs as well as ensure that the state is not paying for unused or minimally used phones. Without such a review, the state may be paying for state phones or stipends that are no longer warranted. Since employee cell phones are not the property of the state, each agency must rely on the employee to justify continuing stipend payment based on criteria noted in future proposed revisions to SAM 1616. Additionally, quarterly review of usage data is in line with federal guidelines.

Federal Guidelines Require Better Management of Cell Phone/Mobile Device Spending

Federal guidelines direct federal agencies to better manage cell phone/mobile device spending, including having employee mobile device inventory to be used to assess device usage. Without adequate information about cell phone/mobile device usage data, agencies are limited in their ability to track usage and make decisions to optimize cost savings at both the individual device level and across the agency. This guidance would be helpful to the state to manage its cell phone/mobile device use.

The executive order on promoting efficient spending directed federal agencies to establish controls to ensure they are not paying for unused or underused cell phone and mobile devices. In addition, federal internal control standards call for

¹³ Nevada Department of Wildlife use field agents.

agencies to ensure government resources are efficiently and effectively used.¹⁴ Thus, when managing cell phone and mobile devices, agencies should:

- Establish procedures to assess their devices for zero, under and over usage;
- Identify personnel with authority and responsibility for performing these procedures; and
- Document the specific steps to be taken in order to help ensure the process is repeatable.

Conclusion

Agencies provide state issued cell phones to employees at a higher cost to the state rather than offer employees lower cost stipend options. A less costly option exists by allowing employees to use their personal cell phone to conduct state business instead of offering state issued phones. Most agencies are not offering stipends to their employees. Determining the best cell phone use option and assessing if usage data supports cell phone expenditures will reduce state cell phone costs and potentially benefit the state between \$25,000 to \$43,000 annually.

Recommendation

2. Determine the best cell phone/mobile device use option and assess if usage data supports cell phone expenditures.

¹⁴ OMB, Circular A-123, Management's Responsibility for Internal Control, Dec. 21, 2004.

Ensure Proper Tax Treatment of Cell Phone Stipends

The state should ensure proper tax treatment of cell phone stipends by revising State Administrative Manual (SAM) to reflect federal guidelines on cell phone stipends. Ensuring proper tax treatment of cell phone stipends will align SAM with federal guidelines.

Revise SAM to Reflect Federal Guidelines on Cell Phone Stipends

The state should revise SAM to reflect current guidance on cell phone stipends. Revising SAM will ensure SAM is properly updated and the state is following federal guidelines.

SAM Guidance on Taxability is Inconsistent with IRS Guidelines

SAM guidance on taxability is inconsistent with IRS guidelines. SAM section 1616 states cell phone stipends are taxable income to the employee and will be reported on their W-2, Wage and Tax Statement.

IRS guidelines issued to field examiners require cell phone stipends be treated as either a de minimis fringe benefit or a working condition fringe benefit if the reimbursement meets certain conditions. In addition, the IRS does not require employers to maintain usage records if the employee's use of the cell phone is determined nontaxable.

Employees Are Not Taxed for State Issued Cell Phones or Stipends

IRS guidelines state employees are not taxed for state issued cell phones or stipends. The tax treatment of state issued cell phones or stipends for employee use of personal phones for state business are the same. However, the state's treatment of state issued cell phone or stipends must align with the following IRS guidelines:

- The phone is not part of the employee's compensation; and
- An employer needs to contact the employee at all times for work related emergencies; or
- An employer requires that an employee be available to speak with clients at times when the employee is away from the office; or
- An employee needs to speak with clients located in other time zones at times outside of his or her normal work day.

OAG Memorandum States Stipends Not Taxable

The Office of the Attorney General (OAG) issued a memorandum stating cell phone stipends are not taxable and non-reportable on the employee's W-2 so long as the following three conditions are met:

1. The employee must maintain the type of cell phone coverage that is reasonably related to the needs of the employer's business;
2. The reimbursement must be reasonably calculated so as not to exceed expenses the employee actually incurred in maintaining the cell phone; and
3. The reimbursement for business use of the employee's personal cell phone must not be a substitute for a portion of the employee's regular wages.

Conclusion

SAM guidance on taxability of cell phone stipends is inconsistent with IRS guidelines. SAM needs to be revised to reflect IRS treatment of cell phone stipends. Although SAM states a "stipend will be taxable income to the employee and will be reported on their W-2, Wage and Tax Statement", IRS guidelines and OAG indicate cell phone stipends are non-taxable and non-reportable. Revising SAM to reflect IRS guidelines on cell phone stipends will ensure SAM is properly updated and aligned with federal guidelines.

Recommendation

3. Revise SAM to reflect federal guidelines on cell phone stipends.

Exhibit IV

Summary of Audit Benefits

	Recommendation	Benefit
1	Develop statewide cell phone/mobile device use policy.	Consistency in state cell phone use.
2	Determine the best cell phone/mobile device use option and assess if usage data supports cell phone expenditures.	\$25,000 to \$43,000
3	Revise SAM to reflect federal guidelines on cell phone stipends.	Ensures SAM reflects IRS guidelines.
	Total estimated annual benefit:	\$25,000 to \$43,000

Appendix A

Scope and Methodology, Background, Acknowledgements

Scope and Methodology

We began the audit in February 2020. We interviewed management and staff and discussed processes inherent to agencies. We reviewed records for fiscal year 2019, applicable Nevada Revised Statutes, and other state and federal guidelines. We surveyed other states and federal agencies, comparing mobile device policies.

The audit included a compilation and detailed analysis of multiple data sets, including department and agency phone inventories, policy comparison, and interviews with department and agency staff. We concluded fieldwork in May 2020.

We conducted our audit in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Background

In July 2015, the Legislature passed Assembly Bill 469 to create the Governor's Finance Office. The office is comprised of the Budget Division, the Division of Internal Audits, and the Office of Project Management.

The GFO's mission is to support and enforce the Nevada Executive Budget in accordance with the Governor's vision. The GFO's budget for fiscal year 2020 was approximately \$51.6 million with 55 positions.¹⁵

Acknowledgments

We express appreciation to the Governor's Finance Office, Department of Administration, Department of Corrections, and the Office of the Attorney General for their cooperation and assistance throughout the audit.

Contributors to this report included:

Vita Ozoude, MBA, CPA, CMA, CGMA
Audit Manager

Ashwini Prasad, CPA, CIA, CGMA
Executive Branch Auditor

¹⁵ 2020 Legislatively approved budget.

Appendix B

Governor's Finance Office Response and Implementation Plan

Steve Sisolak
Governor



Susan Brown
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Warren Lowman
Administrator

STATE OF NEVADA GOVERNOR'S FINANCE OFFICE

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June 9, 2020

Warren Lowman, Administrator
Governor's Finance Office,
Division of Internal Audits
209 E. Musser Street, Rm 302
Carson City, Nevada 89701

Dear Mr. Lowman,

Re: Statewide Cell Phone/Mobile Device Use Audit, Division of Internal Audit 20-12

Thank you for conducting an audit of statewide cell phone/mobile device use. The audit recommendations will help provide a more consistent, cost-effective methodology for conducting state business. The Governor's Finance Office (GFO) provides the following responses to the audit recommendations:

Recommendation 1: Develop Statewide Cell Phone/Mobile Device Use Policy

GFO accepts this recommendation. GFO will consult with other state agencies and stakeholders to develop a statewide cell phone/mobile device use policy to be included in the State Administrative Manual (SAM). GFO expects to fully implement the recommendation by February 1, 2021.

Recommendation 2: Determine the Best Cell Phone/Mobile Device Use Option and Assess if Usage Data Supports Cell Phone/Mobile Device Expenditures.

GFO accepts this recommendation. GFO will update SAM to include a requirement that each agency performs reconciliation of cell phone use data to determine support for cell phone/mobile device expenditures. GFO expects to fully implement the recommendation by February 1, 2021.

Recommendation 3: *Revise SAM to Reflect Current Guidance on Cell Phone Stipends.*

GFO accepts this recommendation. GFO will update SAM based on IRS guidelines on cell phone stipends paid to employees for the personal use of their cell phones for state business. GFO expects to fully implement the recommendation by October 1, 2020.

Sincerely,



Susan Brown, Director,

Appendix C

Timetable for Implementing Audit Recommendations

In consultation with the Governor's Finance Office (GFO), the Division of Internal Audits categorized the two recommendations contained within this report into one of two separate implementation time frames (i.e., *Category 1* – less than six months; *Category 2* – more than six months). GFO should begin taking steps to implement all recommendations as soon as possible. GFO's target completion dates are incorporated from Appendix B.

Category 2: Recommendations with an anticipated implementation period more than six months.

<u>Recommendation</u>	<u>Time Frame</u>
1. Develop a statewide cell phone use policy. (page 2)	Feb 2021
2. Determine the best cell phone use option and assess if usage data supports cell phone expenditure. (page 5)	Feb 2021
3. Revise SAM to reflect current guidance on cell phone stipend payments. (page 11)	Oct 2020

The Division of Internal Audits shall evaluate the action taken by GFO concerning the report recommendations within six months from the issuance of this report. The Division of Internal Audits must report the results of its evaluation to the Executive Branch Audit Committee, and GFO.

Appendix D

Cell Phone Policy Comparison Chart

<u>Department /Agency</u>	Number of State Issued Cell Phones	Cell Phone Policy Yes/No	SAM 1616 addressed Yes/No	Stipend Policy Yes/No	Stipend Amount Average
Agriculture	164	Yes	Yes	Yes	\$39
Ethics Commission	1	No	No	No	\$52.50
Nevada Department of Corrections	81	Yes	Yes	No	N/A
Nevada Department of Transportation	1287	Yes	Not explicitly but all elements are addressed	No	N/A
Nevada Department of Wildlife	107	Yes	Yes	Yes	\$30
Department of Natural Resources ¹⁶	Not Noted	Yes	No	No	N/A
Department of Employment and Rehabilitation	84	Yes	Yes	Yes	\$33
Division of Child and Family Services	305	No but uses DHHS Policy	Not all elements are addressed	No	N/A
Division of Public and Behavioral Health	501	Yes	Not explicitly but all elements are addressed	No	N/A
Enterprise Information Technology Services	82	Yes	Yes	Yes	\$30, but do not pay stipends
Nevada Highway Patrol	696	Yes	No	No	N/A

¹⁶ Department of Natural Resources only included in policy comparison.

Appendix E
Cell Phone Stipend Payments
Potential Estimated Cost Savings

Cost of State Issued Cell Phones vs Cell Phone Stipend Payments

Total number of state issued cell phones for 10 agencies in our sample = 3,308¹⁷

Average cost of state issued phone: \$59

Total cost of state issued cell phone based on sample: $\$59 \times 3,308 = \$195,172$

Total cell phone stipend payment assuming 29% of state issued phones switched to stipends [(29% x 3,308) = 959 x \$33 = \$31,647]

Total of 29% state issued cell phone payments
+ (29% x 3,308) = 959x\$59 = \$56,581]

Total Annual Saving based on 29% switch to stipend payments:
= \$56,581 - \$31,647 = approximately \$25,000

Assume 50% of the employees switched to stipend payments:

State issued phones (3,308 x 0.50 = 1654) x \$59 = \$97,586

Stipend payments: (3,308 x 0.50 = 1654) x 33 = \$54,582

Total annual saving assuming 50% shift: $(\$97,586 - \$54,582) = \$43,000$.¹⁸

¹⁷ Ten agencies that provided total number of state issued cell phones.

¹⁸ This calculation is based on the assumption that stipend payments are widely available and offered to employees in lieu of state issued cell phones.