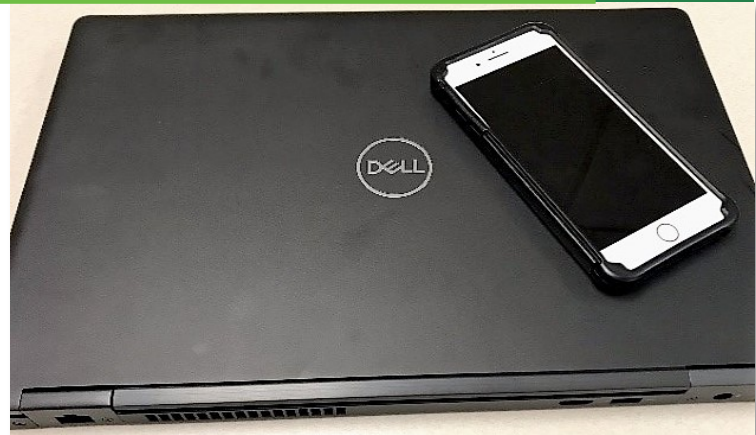




Terminated Employees' Electronic Devices



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Terminated Employees' Electronic Devices Audit

Executive Summary

Purpose

Determine whether adequate controls exist to safeguard City-owned mobile devices.

Background

The City has over 6,700 electronic devices (iPhones, iPads and hotspots). The services are contracted with AT&T, FirstNet, Sprint, and Verizon with expenditures totaling about \$2.5 million from July 2018 through February 2019.

The City does not have an Electronic Device policy. Policy HR20 has an attachment called "Employee Separation Checklist" and Section IV references the return of electronic devices.

Most departments have internal processes in place which address some of the audit concerns.

Conclusion

The implementation of a citywide policy will establish controls to safeguard an increasing number of electronic devices, and reduce the risk of improper usage.

Highlights

1. Most electronic devices assigned to separated employees were properly handled.

- Departments deactivate, suspend or reassign electronic devices once an employee separates from the City.

2. One Department allowed a retired employee to keep possession of an electronic device.

- Charlotte Water permitted a retired employee to keep possession of an electronic device after separation from the City.

3. Documentation should be provided with returned electronic devices.

- Departments send electronic devices that are broken, replaced by upgrade, or no longer being used to the I&T department without corresponding documentation.

Recommendations

- 1) Due to the increasing number of electronic devices and expenditures associated with them, the City should establish and implement an Electronic Device Policy to provide better controls.
- 2) Departments should ensure all electronic devices assigned to employees, who separate from the City, are returned and properly documented prior to last day of service.
- 3) Departments should have employees reset the phones and prepare a listing of electronic devices to be included when returning items to I&T.

Actions Planned

I&T, will develop a Wireless Services and Products Policy for City management approval. They will also recommend controls and processes for securing electronic devices upon employee separation. Expected rollout is first quarter of FY 2020.

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Background

The City has over 6,700 electronic devices including cellular phones, iPads and hotspots. The services are contracted with AT&T, FirstNet, Sprint, and Verizon with expenditures totaling approximately \$2.5 million from July 2018 through February 2019.

Auditors limited the review to Verizon billings because this vendor corresponded with electronic devices assigned to terminated or retired employees for the audit period. The City has 5,045 Verizon electronic devices, which represent 99% of expenditures among contracted vendors. I&T controls the plans and device types.

The City does not have an Electronic Device policy which would provide guidance and outline appropriate processes. Policy HR20 has an attachment called "Employee Separation Checklist" and Section IV references the return of electronic devices.

Most departments have internal processes in place which includes some of the following:

- Passwords reset
- Settings restoration
- Service suspensions
- Data usage monitoring
- Inventory tracking
- Signature requirement

Objective

This audit was designed to determine whether adequate controls exist to safeguard City-owned electronic devices.

Scope, Methodology, and Compliance

Scope

The audit covered all 50 electronic devices among 47 employees who separated from the City between July 1, 2018, and October 12, 2018.

Methodology

This audit was conducted after an Employee Hotline call detailed the improper collection of an electronic device. This specific allegation was reviewed, along with all city employees who separated during the audit timeframe. Auditors met with department representatives to determine whether electronic devices assigned to terminated or retired employees had been properly handled.

Compliance

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.

Findings and Recommendations

1. Most electronic devices assigned to separated employees were properly handled.

Department representatives can purchase devices or make changes according to budget availability, without oversight. Each month there are dozens of unclassified devices on the bill received from Verizon. These include devices that are not assigned to a cost center, multiple devices assigned to the same person in a department, devices that do not have an employee name listed but rather a generic assignment. The telecom specialist must determine which cost center is responsible for these devices before forwarding the information to Accounts Payable to be distributed through summary billing.

If the suspension option is utilized, departments receive a bill credit for the suspended line and have three months to reassign to a new hire or evaluate the need for the electronic device. If the line is not reassigned or deactivated, monthly service charges are reinstated after the third month.

Forty-nine tested electronic devices were placed into one of these categories; however, some departments made changes only after Internal Audit's inquiry, which indicated that internal processes were not being consistently followed.

Recommendation A: Department representatives should ensure that controls and processes in place to secure electronic devices upon separation are followed. Also, communication with I&T's telecom specialist and updates in the billing system should occur when changes are necessary.

Recommendation B: Due to the increasing number of electronic devices and expenditures associated with them, the City should establish and implement an Electronic Device Policy to provide better controls.

Value Added: Compliance; Risk Reduction; Cost Savings

I&T Response: I&T agrees with the recommendations. I&T will provide departments with recommended controls and processes for securing electronic devices upon employee separation within the 1st quarter of FY 2020. Also, I&T has developed a draft Wireless Services and Products Policy with plans to have it in place within this same timeframe.

2. One Department allowed a retired employee to keep possession of an electronic device.

An Employee Hotline report stated that Charlotte Water permitted a retired employee to keep possession of an electronic device after separation from the City. The employee retired on July 31, 2018, and the phone was returned September 24, 2018. The services were suspended on the October 2018 Verizon billing summary and was disconnected on January 28, 2019.

Recommendation: Departments should ensure all electronic devices assigned to employees, who separate from the City, are returned and properly documented prior to last day of service.

Value Added: Risk Reduction; Cost Savings

Charlotte Water Response: Charlotte Water requested that the employee keep his phone active 30 days past his retirement until August 31, 2018, so vendors could be routed to the proper personnel during the transition period. The employee held a unique and crucial position that worked closely with multiple supply vendors.

3. Documentation should be provided with returned electronic devices.

Departments send electronic devices that are broken, replaced by upgrade, or no longer being used to the I&T department. Representatives typically wait until they have accumulated a substantial number of devices and do not include any type of documentation. The City receives the market value of a factory reset device and \$1 for defective, locked or recycled devices from eCycle, a Company that specializes in disposal, data destruction and recycling. At times, eCycle will request passwords however due to the timing between employee separations and when devices are sent, departments no longer have contact with the previous holder.

The City received \$11,731 in revenue from eCycle for the period July 2018 through February 2019. A breakdown of electronic devices by departments is listed below:

Department	Defective	Locked	Recycled	Factory Reset	# Devices
CATS	5	2	-	6	13
CDOT	11	6	-	12	29
CFD	20	2	-	38	60
Charlotte Water	30	19	19	26	94
E&PM	15	5	7	17	44
I&T	31	16	14	23	84
SWS	2	-	-	46	48
Totals	114	50	40	168	372

Recommendation: Departments should have employees reset the phones and prepare a listing of electronic devices and corresponding passwords to be included when returning items to I&T. This will allow the I&T's telecom specialist to prepare a master listing and provide information to eCycle which would increase the City's amount received.

Value Added: Efficiency

Response: I&T agrees with the recommendation. I&T will develop standard procedures for departments to reset devices and include the necessary documentation for I&T to be able to more effectively manage and recycle electronic devices citywide. It is expected that this will be accomplished within the first quarter of FY 2020.

Conclusion

The implementation of a citywide policy will establish controls to safeguard an increasing number of electronic devices, and reduce the risk of improper usage.

Distribution of Report

This report is intended for the use of the City Manager's Office, City Council, and all City departments. Following issuance, audit reports are sent to City Council via the Council Memo and subsequently posted to the [Internal Audit website](#).