

## **Improvement Needed in Managing the City's Wireless Telecommunication Contracts**

**Date:** June 28, 2018  
**To:** Audit Committee  
**From:** Auditor General  
**Wards:** All

### **SUMMARY**

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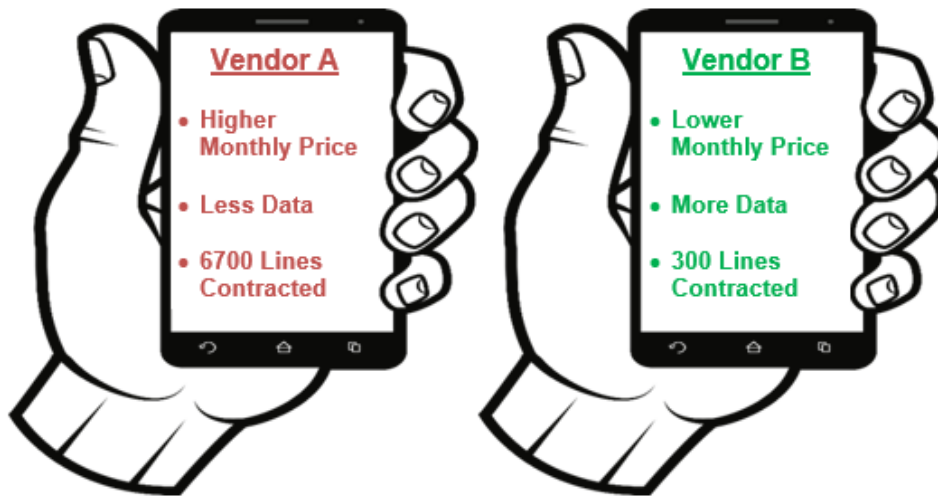
The Auditor General completed an audit of the management of telecommunication service contracts and payments at the TTC in May 2018. The audit report entitled "Toronto Transit Commission: Managing Telecommunication Contracts and Payments" was tabled at the TTC's May 29, 2018, Audit & Risk Management Committee. The report is included as Attachment 2 to this report. The report is also available on the TTC's website at:

[https://www.ttc.ca/About the TTC/Commission reports and information/Committee meetings/Audit Risk Management/2018/May 29/Reports/5 Auditor General Managing Telecommunication Contracts and P.pdf](https://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Committee%20meetings/Audit%20Risk%20Management/2018/May%2029/Reports/5%20Auditor%20General%20Managing%20Telecommunication%20Contracts%20and%20P.pdf)

During the audit of the TTC's wireless service contracts, the Auditor General identified potential annual savings of \$218,000 that could be achieved by better aligning the wireless service contracts to the existing cellular voice and data needs, and acquiring services at price plans that offer best value. Since the TTC's wireless service contracts were based on the City's contracts, the Auditor General performed a similar analysis to explore whether the saving opportunities identified at the TTC also existed at the City.

The City spent \$6.5 million for wireless phone services in 2017. It uses three vendors for these services: Vendor A, the preferred vendor for the City, from where the majority of services are acquired, and Vendors B and C. Our analysis showed that Vendor B offers the lowest prices for the same services that are also acquired from Vendors A and C.

Figure 1: Price Plans and Number of Wireless Phone Lines Contracted as of March 2018



Although each vendor offers various price plans, our analysis focussed on smartphone price plans that were most commonly used by the City. Vendor C has 80 of the City's smartphone lines with a monthly price similar to Vendor A (i.e., higher than Vendor B's price). If the services are acquired based on the prices offered by Vendor B, the City could save \$1 million annually. There is a need to review price plans with the vendors annually as outlined in the contracts. The City has not completed this review for the past 3 years.

The City could also explore opportunities to include other municipalities during the RFP process to benefit from combined higher volumes to obtain better price plans.

The City should also consider and evaluate whether there are cost savings and efficiencies by introducing a 'Bring Your Own Device' (BYOD) program where staff members could use personal devices for business purposes.

This report provides recommendations to improve management of telecommunication contracts, consider inter-governmental procurement and evaluate a 'Bring Your Own Device' (BYOD) program for the City. We have also included recommendations for City Agencies and Corporations to receive the City and TTC reports on the audit of telecommunication expenses, and to implement recommendations that are relevant to their operations.

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.

## RECOMMENDATIONS

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The Auditor General recommends that:

1. City Council request the Chief Information Officer to:
  - a. Review the existing wireless service contracts for best value and evaluate the feasibility of negotiating changes in price plans with the vendor(s) based on the City's current cellular voice and data needs
  - b. Advise staff to use service contracts that offer best value to the City
  - c. Develop and implement a process to ensure compliance with all contract terms and conditions, including annual review of price plans and service rates with the vendor(s). The annual review should be performed after an analysis has been completed on the comparison of cost of similar telecommunication services offered by contracted vendors, and the prices available in the market or to other public sector organizations.
2. City Council request the Chief Information Officer, in coordination with the Chief Purchasing Officer, to explore inter-governmental procurement opportunities for acquiring telecommunication services for the next RFP.
3. City Council request the Chief Information Officer to evaluate business and administrative feasibility for the introduction of a Bring Your Own Device (BYOD) program for wireless phones at the City. This feasibility and program should be evaluated in consultation with the City Solicitor, the Chief Financial Officer, the Executive Director of Human Resources and any other stakeholder(s).
4. City Council request the City Manager to forward the following Auditor General's reports to the Chief Executive Officers of City Agencies and Corporations for information and necessary action:
  - a. Toronto Transit Commission: Managing Telecommunication Contracts and Payments
  - b. Improvements Needed in Managing City's Wireless Telecommunication Contracts.
5. City Council request the Chief Executive Officers of City Agencies and Corporations to consider and implement the recommendations relevant to their operations included in the following Auditor General's reports:
  - a. Toronto Transit Commission: Managing Telecommunication Contracts and Payments
  - b. Improvements Needed in Managing City's Wireless Telecommunication Contracts.

## **FINANCIAL IMPACT**

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This report identifies potential annual savings of \$1 million for the City by better aligning wireless service contracts with existing needs, and by acquiring services at price plans that offer best value.

## **DECISION HISTORY**

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The Auditor General's 2017 Audit Work Plan included an audit of the TTC's telecommunication expenses. The Auditor General's 2017 Work Plan is available at:

<https://www.toronto.ca/legdocs/mmis/2016/au/bgrd/backgroundfile-97443.pdf>

In May 2018, the Auditor General completed a review of telecommunication contracts and payments at the TTC. The audit report entitled "Toronto Transit Commission: Managing Telecommunication Contracts and Payments" was tabled at the TTC's May 29, 2018, Audit & Risk Management Committee and is included as Attachment 2.

The telecommunication expenses audit at the TTC identified saving opportunities by better aligning wireless service contracts with the current cellular voice and data needs, and by acquiring services at price plans that offer best value. Since the TTC's wireless service contracts are based on the City contracts with vendors, the Auditor General expanded the analysis to the wireless phone services acquired by the City to explore whether similar saving opportunities existed at the City.

## **COMMENTS**

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### **Improvement Needed in Managing Wireless Service Contracts**

In 2014, through an RFP process, the City awarded five-year contracts to three vendors for wireless cellular services. The City chose one of the three vendors as its preferred vendor, referred to as Vendor A in this report. The City acquires the majority of its cellular services from this vendor. City staff advised that the decision to acquire services from Vendor A was based on an overall evaluation of prices and services offered by the vendor at the time of the request for proposal (RFP) evaluation in 2014. Since that time, the needs for a number of services have changed, largely due to an increased use of data.

In 2017, the City spent \$6.5 million for wireless phone services. The most commonly used wireless phone service is a smartphone plan that includes both voice and data. We noted that Vendor B's prices for the smartphone plan are the lowest amongst the three vendors for the same services.

As of March 2018, the City had 6,700 smartphone lines with Vendor A, 300 lines with Vendor B and 80 lines with Vendor C. If these services are acquired based on the prices offered by Vendor B, the City could save \$1 million annually.

The vendor contracts state that the City and the vendor(s) should meet annually to review price plans and various service rates in order to apply new plans and/or lower the rates based on any declines in the industry. We did not find evidence of whether these meetings ever took place.

There is a need to develop and implement a formal process to compare vendor prices and services with the City's needs on a periodic basis. There is also a need to obtain price plan information available in the industry and at other public sector organizations, such as the Province of Ontario, to determine which price plans offer the best value. This analysis should be used in periodic meetings with vendor(s) to negotiate better price plans.

Management advised that a third-party vendor has been engaged to conduct a comprehensive review of all telecommunications inventory and billing, and will provide a comparison of rates against market benchmarks.

### **Include Other Municipalities in Future Telecommunication Service RFP's**

The City could consider inter-governmental co-operative procurement by joining with other municipalities during the RFP process in order to obtain lower prices and improved terms based on combined higher volumes.

### **Evaluate a Bring Your Own Device (BYOD) Program for the City**

The practice of allowing employees to use their own smartphones as an option for work is becoming more common. Our review indicates that, while the program may be more popular in the private sector, public sector organizations are also adopting it. For example, in Ontario, the City of Mississauga and the City of Guelph implemented this program few years ago. Details of City of Mississauga's BYOD implementation, presented at the Municipal Information Systems Association (MISA) Annual Conference in 2014, are available at:

[https://c.ymcdn.com/sites/www.misa-asim.ca/resource/collection/6FF5706D-3EE2-4BFF-A17B-AFEA0E85E065/Bring\\_Your\\_Own\\_Device\\_-\\_S\\_Tretrop.pdf](https://c.ymcdn.com/sites/www.misa-asim.ca/resource/collection/6FF5706D-3EE2-4BFF-A17B-AFEA0E85E065/Bring_Your_Own_Device_-_S_Tretrop.pdf)

Implementing a BYOD program benefits the organization with savings in mobile devices and monthly subscription costs. Management advised that the City is not yet in a position to proceed with the adoption of a BYOD program for mobile devices and services. A policy framework addressing a BYOD program needs to be developed.

We have provided three recommendations to improve management of telecommunication contracts, consider inter-governmental co-operative procurement and evaluate 'Bring Your Own Device' program for the City. We have identified potential annual recurring savings of \$1 million in the report. There are two recommendations

(recommendations 4 and 5) for City Agencies and Corporations to review our audit findings and implement recommendations relevant to their respective operations. Management's response to our recommendations is included in attachment 1.

We express our sincere appreciation for the co-operation and assistance we received from management and staff at the Corporate I&T, the Purchasing & Materials Management and the Legal Services divisions at the City.

## **CONTACT**

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## **SIGNATURE**

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Beverly Romeo-Beehler  
Auditor General

## **ATTACHMENTS**

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Attachment 1: Management's Response to the Auditor General's Report Entitled: "Improvement Needed in Managing City's Wireless Telecommunication Contracts"

Attachment 2: Auditor General's Report Dated May 18, 2018, Entitled: "Toronto Transit Commission: Managing Telecommunication Contracts and Payments"