New Cellular Policy
Implementation

University of Kentucky
August 2009
Current Situation

1. Mobility has become a part of daily activity at UK.
2. More than 1800 of the UK workforce use “employer-paid” mobile devices to communicate with students, customers, colleagues, and partners.
3. Challenges from growth of mobile technology include:
   A. Controlling costs (at UK cost has doubled in 4-years; an increase of over $800,000)
   B. Substantiating Business Use – IRS recordkeeping for taxable benefits
   C. Contracting for effective carrier services and devices
   D. Supporting users
   E. Efficiently managing devices and data security
4. Mobile applications improve the efficiency and effectiveness of workers by providing new or improved accessibility and optimizing business processes in field service and logistics.
Cell & PDA Annual Expenditures

- 2004-2005: $786,781
- 2005-2006: $857,325
- 2006-2007: $1,131,383
- 2007-2008: $1,330,666
- 2008-2009: $1,604,112

An Equal Opportunity University
• **IRS Notice 2009-46.** The IRS is seeking comments on several proposals aimed at simplifying recordkeeping requirements for employees’ business use of employer-provided cell phones. The notice provides three substantiation methods for comment. Comments are due before 9/4/2009.

• **NACUBO** continues to push for passage of S 144/H.R. 690 – the *Modernize Our Bookkeeping in the Law for Employees (MOBILE) Cell Phone Act of 2009.*

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### Minimal Personal Use Method

- Approach 1: would require the employee to furnish the employer with documentation that they have their own personal cell phone for personal purposes;
- Approach 2: Identify a specified amount of “minimal” personal use that would be disregarded in determining an employee’s personal use.

### Safe Harbor Substantiation Method

- The employer would treat a specified percentage of each employee’s use of the employer-provided cell phone as business usage. The remaining percentage would be deemed for personal use. IRIS proposes a business use percentage of 75%

### Statistical Sampling Method

- Allows the employer to use an approved statistical sampling method to determine the percentage of personal use of employer-provided cell phones.
REVISE Business Procedures Q-1-2

Cellular Devices Policy and Procedures

CURRENT

• Corporate liability. The carrier invoices the University. The university is responsible to pay the plan billing.

• UK CNS purchases devices and service plans and recharges departments.

FUTURE

• Individual liability. Each user has a direct relationship with the cellular carrier. The individual’s association with a UK provides discount rates.

• The employee receives a cash allowance based on business use.

• The carrier invoices the employee. The employee is responsible to pay the plan billing.

Expectation: Stay budget neutral
# Recommended Tiers of Reimbursement

<table>
<thead>
<tr>
<th>Voice</th>
<th>Business Use Minutes</th>
<th>Amount</th>
<th>Tax Grossup*</th>
<th>Cash Allowance</th>
<th>Annualized**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1</td>
<td>&lt;450</td>
<td>$ 15</td>
<td>$ 6.00</td>
<td>$ 21.00</td>
<td>$ 252.00</td>
</tr>
<tr>
<td>Tier 2</td>
<td>450-900</td>
<td>$ 40</td>
<td>$ 16.00</td>
<td>$ 56.00</td>
<td>$ 672.00</td>
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<tr>
<td>Tier 3</td>
<td>&gt;900</td>
<td>$ 60</td>
<td>$ 24.00</td>
<td>$ 84.00</td>
<td>$ 1,008.00</td>
</tr>
</tbody>
</table>

**Data**

| Tier 4 PDA - Data Only | $ 35 | $ 14.00 | $ 49.00 | $ 588.00 |
| Tier 5 PDA - Data and Voice | $ 75 | $ 29.00 | $ 104.00 | $ 1,248.00 |
| Tier 6 Air Card for Laptop | $ 60 | $ 24.00 | $ 84.00 | $ 1,008.00 |

*Tax: Federal 25%, State 6%, FICA 7.65%

** Note: Department budgets also pay an extra 7.65% FICA and for FY-09-10 Misc Fringe at 3.6% for faculty, 3.7% for full-time staff and 1.0% for all other staff.
Decision Filters

**Business Requirements**

Look at aspects such as: Which applications the employee must access from mobile sites, their level of critically to the organization and their strategic value; • How time-sensitive the information is, and, thus, whether later synchronization is an option or if real-time access is a requirement.

**Locations**

Look at the locations from which users will access applications, and at the: • Number of different locations, percentage of time spent there, and whether the locations are used repeatedly or uniquely ; Geographic distribution of the locations (that is, on campus, in the Lexington area, regional, national, international and so on)

**Work Style**

Look at such aspects as the work style, or a combination thereof, that will be used over a period of time:
• Emergency Alerts 7 x 24 availability
• Routine Messages (typically 8-5)
• Knowledge worker
• Executive Power user

Three Vectors of Mobile Worker Segmentation, Source: Gartner (November 2006)
What is included as cash allowance?

- Average cost of the monthly service plan for business use, including gross up for estimated taxes (Federal 25%, State 6%, OASDI 6.2%, Medicare 1.45%)

**Expectation is that units cellular expenses are budget neutral**

What is not included?

- Cost of the equipment
- Cost of additional features
- Cost of one time purchases
  - Accessories (batteries, charger, etc.)
  - Expenses for repairs
  - Cost of replacing a lost or stolen device
  - Equipment upgrades
Impact on Employees

- No disruption to current service levels
- Not required to comply with IRS substantiation rules
- Must complete credit check with carrier
Exceptions for Departmental Contracts for Shared Cellular Devices

- Exceptions will be approved for shared phones and phones used for certain limited use centers (e.g. Police, PPD maintenance, custodians, delivery drivers, etc).
- A separate departmental justification form must be approved annually by the next higher management level.
- Approved departmental requests should be sent to Communications & Network Systems.
- The department must annotate phone bill or keep log of calls.
- Since the cost of pagers, walkie-talkies, and two-way radios are nominal; and, because potential personal use does not pose a financial risk to the University, departments will continue to pay for these devices directly through CNS.
Implementation Steps (1)

1. Department reviews which employees have UK-provided cell phones – (current plan and usage reports from carriers will be distributed by CNS to each major area).

2. Use Decision filters (business requirements, location, and work style) to determine if the cell phones or PDA’s are still needed to perform job duties.

3. Review service plans to determine correct level of business use.

4. Select and obtain approval for cash allowance.

5. Allocate funds for cost of approved cellular plan cash allowance. Funding decisions should be made based on “budget neutral” funding.


7. Employee converts cellular contract to individual liability (from CL to IL)

8. Employee provides department with documentation that phone number has been transitioned to personal liability.
Implementation Steps (2)

9. Department notifies the Payroll department of the effective date of the transition to activate the cash allowance for supplemental compensation.

10. Review the timing issue of “number portability” between carriers.

11. Review the issue of “grand-fathering” current devices.

12. Department submits the completed *Cellular Allowance Request Form* to UK Payroll, room 340 Service Bldg. by these dates for payroll processing. No retroactive payments to prior months.

<table>
<thead>
<tr>
<th>Submit form by:</th>
<th>Payroll Date</th>
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<tbody>
<tr>
<td>October 10</td>
<td>October 2009</td>
</tr>
<tr>
<td>November 10</td>
<td>November 2009</td>
</tr>
<tr>
<td>December 10</td>
<td>December 2009</td>
</tr>
</tbody>
</table>

13. Transition from corporate liability (CL) to individual liability (IL) must be completed by December 10, 2009. Any cellular lines not transitioned from CL to IL by this date will be disconnected.

14. Department must monitor changes in business needs for cellular plans and adjusts cash allowance as appropriate.
Contacts for Primary Cellular Carriers

**AT&T Wireless**
Heather Holiday; 859-230-3851; hh6088@att.com

**T-Mobile**
Carole Paris; 502-291-6755; Carole.paris@t-mobile.com

**Sprint/Nextel**
Patty R. Luckett; 502-664-2919; Patty.luckett@sprint.com

**Verizon Wireless**
Mandy Mcquade; 502-649-0801; mandy.mcquade@verizonwireless.com
Training and Q/A Sessions

1. Training and Q/A sessions for departmental staff will be held during the months of September and October.

2. Departments may contact Frank Abraham to request an information session presentation. (frank.abraham@uky.edu)

3. Alternatively, CNS will schedule a specific time with business officers to review current plans and prior year billing on existing University-provided cell phones and PDAs.

4. Remember, CNS web-site for regular updates to FAQ’s. 
http://www.uky.edu/IT/CNS/products/cellphon.html