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INSPECTOR GENERAL

Audit Report

Economy and Efficiency Review of Communications Services

Report No. IG-04-93

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September 30, 1993

ECONOMY AND EFFICIENCY REVIEW OF COMMUNICATION SERVICES

After personnel and rent, communication costs are one of the Commission's largest expenses, approximately $1.1 million in fiscal year 1993. These costs are for the use of telephones (internally, via credit cards, and use of facsimile machines), mail (regular and express service), and delivery services. The objectives of this review were to determine whether the Commission is acquiring, protecting and using communication services economically and efficiently, the causes of inefficiencies or uneconomical practices, and compliance with applicable laws and regulations.

This review was conducted by Urbach Kahn & Werlin PC in accordance with the Government Auditing Standards issued by the Comptroller General of the United States. The auditors did not identify any material instances of non-compliance with Federal laws and regulations. They did identify multiple areas where controls could be strengthened or alternative procedures adopted that could possibly reduce the costs for communications services. In deciding whether these changes should be implemented, we agree that costs to implement the controls and non-monetary factors, such as the lack of personnel positions, also need to be considered. The findings presented on pages 9 through 39 of the report are as follows:

-- Cost center responsibilities for communications budget object classes should convey authority for cost control.

-- The Commission should improve policies or employee guidance on relative costs and proper use of communication services.

-- The Commission should reassess telephone lines and features.

-- Use of call detail reporting (CDR) should be evaluated.

-- The Commission should re-evaluate its mailroom services contract.

-- The Commission should consider utilizing the minivan or sedan for deliveries.

-- Logs should be maintained at facsimile machines.

-- Commission personnel should use telephone calling cards while traveling on official business.

-- The Commission should determine the whereabouts of all active temporary calling cards.

-- The Commission should have an airbill or authorized signature on the airbill for all Federal Express deliveries.

-- The Commission should redesign the vehicle trip log.

Five matters were noted for management's consideration. 1) The Commission is not being properly charged by the General Services Administration for the special phone line features. 2) Mandatory postage metering will likely increase costs. 3) The Commission should consider alternate vendors for its general courier services. 4) The Commission should evaluate alternatives for local overnight delivery. 5) The Commission should consider establishing a formal organization plan for communications services.

Recommendations relating to the findings are presented throughout the body of the report. The Director of Operations is responsible for the recommendations on telecommunications. The Director of Administration is responsible for the recommendations on mail and delivery services. Many of the recommendations will require coordination between the offices in taking corrective action.

The Directors of Administration and Operations concurred with most of the recommendations and suggestions. I accepted the responses as reaching management agreement on all of the recommendations, including the two with which the Directors disagreed.

The Directors disagreed with the recommendation to evaluate the use of CDR; technically, however, they completed action on the recommendation and disagreed with the auditors' indication that CDR should be adopted. I agree that the cost and other limitations argue against adopting internal CDR. However, the absence of CDR makes a factual analysis of the extent to which an employee is abusing the use of telephones virtually impossible. I believe that the Commission should reconsider CDR as options become available in telecommunications services.

The Directors also disagreed with the recommendations to establish procedures to collect fax usage information and update guidance to include fax tracking procedures. Current Commission policy states that offices with facsimile machines are encouraged to maintain logs. The auditors agreed that this guidance was appropriate, but found that logs were seldom maintained. The recommendations intended that better guidance would clarify how offices could comply with this policy using simple non-burdensome procedures. The response indicates that the Commission no longer agrees with the stated policy; if so, the policy should be deleted.

The Directors agreed with the other recommendations. However, the agreed upon action for four responses was somewhat different than intended, as discussed on the following page.

-- The auditors recommended that the Commission should reassess its mailroom contract. The Director of Administration agreed to reassess the work required under the contract, but not the cost effectiveness of the contract. I believe that both issues should have been addressed in developing the request for a new contract for fiscal year 1994.

-- The auditors recommended that the Office of Management Services (OMS) should review the availability of Commission vehicles for local delivery. The recommendation was based on statistics that the minivan was used less than 90 minutes a day and the sedan less than three hours per day in calendar year 1992. The response stated agreement but the wording indicated that greater utilization was not possible. I did not accept the Director's response that action was completed. I think more can and should be done to increase the vehicle utilization and will work with the Director to achieve this.

-- The auditors recommended that OMS take steps to improve control over Federal Express airbills. The Director of Administration agreed but said that the needs of its clients must be balanced with the optimum of protection. The recommendation in no way limits the use of Federal Express nor should a reconciliation of all airbills detract from meeting the needs of clients. I believe the reconciliation should involve all airbills.

-- The auditors recommended that OMS redesign the vehicle trip log and the Director of Administration reported that this was done. However, he stated that the purpose of the trip would be reported as "transporting Commissioners." This provides no more information than the list of passengers. I think that the Commissioners are better served if a brief purpose is recorded, e.g., meeting with Commerce officials, in the event that a question is ever raised about the vehicle use. I did not accept the Director's response that action was completed on this recommendation pending agreement on this issue.

A summary of the Directors' comments is presented after each finding and other matter on pages 12 through 46 of the report. The comments are presented in their entirety as an appendix to the report.

Jane E. Altenhofen

Jane E. Altenhofen
Inspector General

US INTERNATIONAL TRADE COMMISSION

ECONOMY AND EFFICIENCY REVIEW OF COMMUNICATIONS SERVICES

APRIL 1993

UK
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US INTERNATIONAL TRADE COMMISSION

ECONOMY AND EFFICIENCY REVIEW OF COMMUNICATION SERVICES

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INDEPENDENT ACCOUNTANT'S AGREED-UPON PROCEDURES REPORT

UK &W Urbach Kahn & Werlin PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANT'S AGREED-UPON PROCEDURES REPORT

Office of Inspector General
United States International Trade Commission

We have performed certain agreed-upon procedures related to the communications services utilized by United States International Trade Commission (USITC). The procedures for our review, as identified under Section II of this report, were agreed to by USITC's Office of Inspector General and were performed to assist USITC in evaluating and improving the economy and efficiency of their communications services. This report is intended solely for the information of USITC. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

The objectives of this engagement included the performance of agreed-upon procedures to determine findings with respect to the following:

- Whether USITC is acquiring, protecting, and utilizing communications services economically and efficiently,
- The causes of inefficiencies or ineffective uses of services,
- Whether USITC is in compliance with Federal laws and regulations,
- Identification of areas of potential cost savings, and
- Recommendations for improved economy and efficiency of communications services.

Based on the procedures performed, we did not identify any material instances of non-compliance with Federal laws and regulations. We did, however, identify certain findings and recommendations, and other matters and suggestions, which are detailed under Sections III and IV of this report.

Urbach Kahn & Werlin PC

Washington, DC
April 30, 1993

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SECTION I
BACKGROUND

US INTERNATIONAL TRADE COMMISSION

ECONOMY AND EFFICIENCY REVIEW OF COMMUNICATION SERVICES

BACKGROUND

USITC communications services and providers

The United States International Trade Commission (USITC), an independent Federal agency, monitors international trade and tariff activities as enacted by law. USITC has approximately 500 employees and a budget approximation of $44,852,000 for FY 93. A budget of $47,692,000 has been requested for FY 94.

USITC's Office of Management Services (OMS) is responsible for maintaining centralized services, such as rent, mail services, postage and courier services. This also includes budgetary responsibility over these services. Due to the nature of USITC's services, telephone and postage usage are significant overhead cost components. USITC also completed a staff restructuring in April 1993 whereby the telecommunications function was transferred from OMS to the Office of Information Resources Management (OIRM).

USITC has been reviewing its communication systems during the past year to ensure adequacy of controls, efficiency, and to control costs. In September 1992, the Office of Inspector General issued their *Review of USITC's Local Area Network Administration and Controls*. In November 1992, USITC issued a new Directive on *Control and Usage of Government Owned or Provided Telecommunications Systems and Services*, which was subsequently updated in April 1993. In March 1993, USITC also updated their Directive on *Mail Standards and Procedures*.

In other cost reduction efforts, the Office of the Secretary and the Office of Administration collaborated, with input from the Office of Inspector General, on their *Report of Recommendations to Reduce the Costs of Printing and Mailing*. This report was subsequently condensed into an Administrative Order. We understand, however, that as of the end of May, the text of this proposed Administrative Order has been rejected by the Commission, but that the Offices of the Secretary and Administration plan to continue working toward implementing several, if not all, of the recommendations from the original report.

The following page summarizes amounts USITC has expended for communications services in FY 92 and related budget amounts for FY 93.

US INTERNATIONAL TRADE COMMISSION

ECONOMY AND EFFICIENCY REVIEW OF COMMUNICATION SERVICES

BACKGROUND

Vendor	Service	FY 93 Budget *	FY 92 Actual
Telecommunications			
FTS2000 (GSA/US Sprint)	Domestic long distance	$ 175,000	$ 167,000
WITS (GSA/C&P)	Local inter-agency	425,000	376,000
C & P Telephone	Local non-government	105,000	82,351
AT&T	International long distance	25,000	18,689
Metromedia, MCI Tymnet, etc.	Miscellaneous	15,000	12,996
		745,000	657,036
Mail			
US Postal Service	Regular, express, international mail	200,000	166,236
Roadway Package Service	Domestic parcel	50,000	50,492
Federal Express	Next day letter/parcel	45,000	26,647
DHL	International parcel	25,000	21,517
UPS/Airborne	Alternate domestic/ international parcel	5,000	5,253
		325,000	270,145
Delivery			
Arrow Courier	General metro area courier	15,000	12,885
Action Courier	Secretary's Office	25,000	4,611
Central Delivery Service	OIRM	7,500	6,073
		25,000	23,569
		$1,095,000	$ 950,750

* *The budget amounts show either actual USITC budgeted object class codes, or are extrapolated to the vendor level based on Purchase Agreements in effect for FY 93.*

US INTERNATIONAL TRADE COMMISSION

ECONOMY AND EFFICIENCY REVIEW OF COMMUNICATION SERVICES

BACKGROUND

The following are descriptions of USITC's communications services covered by this report:

Telecommunications

USITC's telecommunications network includes two modem pools, a dozen facsimile machines and approximately 500 telephones and personal computers (some with modems) attached to a local area network with eleven file servers. USITC has approximately 1,400 telephone lines, of which 340 are attached through 13 Norstar Key Service Units.

USITC's telephone operating system has undergone major changes recently with the installation of WITS (Washington Inter-agency Telecommunications System) and FTS2000 (Federal Telecommunication System). WITS was installed at USITC in 1991 to provide a fixed cost metropolitan area inter-agency communication network. FTS2000 was created to provide an advanced government-wide domestic long distance telecommunications network. Both FTS2000 and WITS are mandatory contracts through the General Services Administration (GSA). A contract has been awarded to obtain the Octel Voice Processing System from GSA - a system which will provide voice mail capabilities for USITC employees.

Currently, FTS2000 service is billed to USITC by GSA based on area switch costs allocated by USITC's percentage of telephone lines using that switch. Under this billing method, if other agencies in the area (such as DOT, GSA, ED,...) change the number of telephone lines connected to the switch, USITC's allocation and, thus, their FTS2000 service costs, could potentially change. Similarly, if USITC changes its number of lines, it may be able to lower their long distance costs.

GSA has plans to implement Automatic Number Identification (ANI) probably some time in fiscal year 1994. ANI would change the FTS2000 charges from a line-based charge to a usage-based charge which is consistent with conventional long distance service.

WITS is also charged to USITC on a fixed cost per phone line (currently $21.70/month/line, plus features) but does not have plans to switch to usage-based charges.

C&P Telephone and AT&T provide local and international non-governmental telephone service. C&P telephone charges are based on the number of calls, and AT&T international calls are charged through standard toll rates based on the destination of the call.

Mail and delivery services

Mail and delivery services are processed by USITC's mailroom staff who are contracted personnel under a Small Business Administration Section 8a set-aside contract. Mailroom staff handle all incoming and outgoing mail, Federal Express (a mandatory, exclusive GSA contract), other special delivery services, requests for courier services and use of USITC vehicles.

US INTERNATIONAL TRADE COMMISSION

ECONOMY AND EFFICIENCY REVIEW OF COMMUNICATION SERVICES

BACKGROUND

The most significant source of postage and mailing costs at USITC is mass mailings of trade and tariff reports which account for up to 80% of USITC's postage costs. The reports generally weigh one to three pounds and historically have been sent first class mail or commercial parcel delivery. USITC's *Report of Recommendations to Reduce the Costs of Printing and Mailing* provides suggested ways to reduce the postage costs related to these mass mailings, including:

- Consolidating all mailing lists onto the system maintained by the Secretary's Office,
- Validating the list annually,
- Sending only one copy of each publication to one address,
- Limiting the number of publications available to any one-time request,
- Requiring addressees within the Washington metropolitan area to pickup the publications personally and addressees outside of the metropolitan area to pay for postage (or provide their Federal Express account number),
- Expand the use of the Government Printing Office (GPO) Bookstore for popular recurring reports, and
- Consider the use of GPO reimbursable mailing services.

Implementation of these recommendations is still being determined by USITC management.

Vehicles

USITC leases two vehicles which are used for USITC employee transportation in the Washington metropolitan area, furniture and document storage, and for "burn" runs for confidential document destruction.

The sedan is used by Commissioners and USITC staff when the use of alternate transportation is not feasible. USITC also has a minivan available, which is used to transport furniture and documents to its storage facilities at the Navy Yard, and in Forestville, Maryland. These vehicles usually are driven by mailroom personnel.

SECTION II
OBJECTIVES, SCOPE, AND METHODOLOGY

US INTERNATIONAL TRADE COMMISSION

ECONOMY AND EFFICIENCY REVIEW OF COMMUNICATION SERVICES

OBJECTIVES, SCOPE AND METHODOLOGY

Objectives

UKW was engaged to perform agreed-upon procedures related to the economy and efficiency of the communications services of USITC. The scope of the engagement included reviews of USITC's operations and records related to the acquisition, management, regulation and use of communications services, including telecommunications, mail and delivery services. The objectives of the engagement included the performance of agreed-upon procedures by UKW to determine findings with respect to the following:

- Whether USITC is acquiring, protecting, and using communications services economically and efficiently,
- The causes of any inefficiencies or ineffective uses of services,
- Whether USITC is in compliance with applicable laws and regulations,
- Identification of potential cost savings, and
- Recommendations for improved economy and efficiency of the communications services.

Scope

UKW reviewed USITC's policies for employee use of telecommunications, mail and delivery services in effect as of April 1993. UKW met with numerous USITC employees with responsibilities in the communications area and reviewed relevant vendor files, employee guidance, USITC Directives, contract files and expenditure transactions from fiscal years 1992 and 1993.

Methodology

The general procedures performed by UKW were as follows:

- Identified and reviewed applicable Federal, USITC or other criteria/guidance, including the documents identified in the *Statement of Work* and the letter from the Inspector General dated April 9, 1993.
- Met with the Acting Secretary to discuss the status and results of their review in recommending procedures and controls to reduce USITC's printing and mailing costs.
- Met with the Inspector General to review the report on USITC's role in preparing recurring reports and in evaluating recommendations for broader applicability.
- Prepared a comprehensive report for USITC which provided an analysis and evaluation of the current communications services and recommendations for economy and efficiency improvements.

Telecommunications

- Reviewed the USITC Directive on telecommunications systems and services.
- Documented current USITC usage requirements.
- Identified related internal policies and employee guidance.
- Performed carrier and usage analysis.
- Reviewed current carrier arrangements, as appropriate.
- Reviewed current call accounting systems and USITC certification procedures.
- Documented the process to authorize procurements, use, control costs and approve expenditures.
- Evaluated adequacy of guidance to employees including printed instructions and training.
- Tested adherence to Federal laws and USITC policies.
- Tested controls over expenditures and procurement.
- Documented and evaluated USITC controls over long distance calling cards.
- Documented and evaluated the use of facsimile machines and modem pools.

Mail

- Identified policies for mailing documents, including special services such as express or certified mail and telegrams.
- Documented and understood current USITC usage requirements.
- Reviewed mailroom procedures and examined whether full advantage of pre-sort/bulk rates were being taken.
- Determined what types of mail services were being used.
- Reviewed the results of the *Report of Recommendations to Reduce the Costs of Printing and Mailings*.
- Reviewed vendor agreements or Blanket Purchase Agreements with mail service providers.

- Documented the process to authorize procurements, use, control costs and approve expenditures.
- Evaluated adequacy of employee guidance on use of mail services.
- Documented and tested adherence to Federal laws and USITC policies.
- Tested controls over expenditures.
- Reviewed the mailroom services contract.
- Documented and evaluated volume monitoring procedures.

Delivery services

- Identified policies for the use of messenger services and the USITC vehicles.
- Documented and understood USITC usage requirements.
- Identified all types of delivery and courier services used by USITC.
- Reviewed criteria for determining when the vehicle was needed, and assessed efficiencies of current practices and determined alternatives.
- Evaluated adequacy of employee guidance on the use of these services.
- Documented and evaluated usage and scheduling procedures for the vehicles.
- Tested adherence to Federal laws and USITC policies.
- Tested controls over expenditures.

SECTION III
FINDINGS AND RECOMMENDATIONS

US INTERNATIONAL TRADE COMMISSION

ECONOMY AND EFFICIENCY REVIEW OF COMMUNICATION SERVICES

SUMMARY OF REPORT FINDINGS, RECOMMENDATIONS, AND SUGGESTIONS

Recommendation Number	*Description*	*Finding Reference*
Findings and recommendations - economy and efficiency		
	General	
1,2	Cost center responsibilities for communications budget object classes should convey authority for cost control.	A
3,4,5,6	USITC should improve policies or employee guidance on relative costs and proper use of communications services.	B
	Telecommunications	
7,8	USITC should reassess telephone lines and features.	C
9	Use of call detail reporting should be evaluated.	D
	Mail	
10	USITC should re-evaluate its mailroom services contract.	E
	Deliveries	
11	USITC should consider utilizing the minivan or sedan for deliveries.	F
Findings and recommendations - compliance with policies		
12,13	Logs should be maintained at facsimile machines.	G
14	USITC personnel should use telephone calling cards while traveling on official business.	H
15	USITC should determine the whereabouts of all active temporary calling cards.	I
16	USITC should have an airbill or authorized signature on the airbill for all Federal Express deliveries.	J
17	USITC should redesign the vehicle trip log.	K

Description	*Finding Reference*
Other matters and suggestions	
USITC is not being properly charged by GSA for the special phone line features.	L
Mandatory postage metering will likely increase costs.	M
USITC should consider alternate vendors for its general courier services.	N
USITC should evaluate alternatives for local overnight delivery.	O
USITC should consider establishing a formal organization plan for communications services.	P

A) COST CENTER RESPONSIBILITIES FOR COMMUNICATIONS BUDGET OBJECT CLASSES SHOULD CONVEY AUTHORITY FOR COST CONTROL.

Condition

Cost center managers assigned responsibility for certain budgetary object class line items do not always have the ability to control these costs. Cost center responsibility for budget object classes does not convey authority to control utilization costs, only acquisition costs. This is important in that the cost center managers responsible for budgeting telecommunications and mail line items cannot control how the services are used. In the absence of specific guidelines at the departmental level, staff are free to generate usage costs without triggering any review or control process. For example, OMS has cost center responsibility over the mail and delivery object classes, but has no authority to control how staff utilize mail services. Similarly, OIRM has cost center responsibility for telecommunications budget items, but cannot control staff phone calls.

Criteria

USITC Directive 2103.1, dated June 5, 1992, describes the authorization of cost center managers for budget items in their control and specifies that "such authorizations constitute certification that funds...or other appropriate authorizations are available to cover the action taken in the appropriate cost center budget allocation. Where cost center budgets are suballocated, appropriate authority to certify documents also must be re-delegated in writing. Where budgets are not suballocated, certification and approval authority may not be re-delegated."

Cause

USITC's current budgetary control policy allocates funds for certain overhead costs incurred throughout the organization to certain administrative offices such as OMS and OIRM. This policy does not provide for the suballocation of these funds to the users who actually incur the costs.

Effect

Not all telecommunications expenditures are controllable at the administrative department level. One example is international telephone calls. While OIRM is responsible for the budgetary controls, OIRM cannot control the usage by other departments whose cost center managers have no incentive to maintain costs within any departmental suballocation.

Recommendations

1. **Administration should modify Directive 2103.**

   Although the majority of the telecommunications budget is controllable at the OIRM level (such as procurement, WITS and, for the meantime, FTS 2000), we recommend the language of USITC Directive 2103 be modified by Administration to convey a clear

description of cost center responsibilities and where cost controls over utilization of usage-based services must be applied in all other departments using the service.

USITC should establish allocation procedures for variable communications costs to allow recognition of such costs at a departmental level. This process would provide improved management information on the source of communications services usage throughout USITC.

Management's response

"We agree that the language of USITC Directive 2103 could be modified to convey a clearer description of cost center responsibilities, and where additional cost controls over telecommunications must be applied. We also agree that a conveyance of communications costs to cost center managers by OIRM may provide improved management of these costs. This requirement (a conveyance of communications costs) could be accomplished in conjunction with execution of the Commission's FY 1994 budget."

UKW's comment

Current policy limits the Commission's ability to control utilization costs in user areas, since the user areas are not responsible for cost items related to service use. Rather, these are managed agency-wide by OIRM (telecommunications) and OMS (mail/delivery). Our recommendation is intended to promote "local" responsibility for usage costs, and Administration and Operations concur that "... conveyance of communications costs to cost center managers ..." is the proper course of action.

2. USITC should consider suballocating budget items.

USITC should consider suballocating cost center controls for usage-based costs to the department level. This process, we believe, would bring USITC into better compliance with Federal policies concerning certification of call detail reports. Suballocation would also provide better management information regarding the expected and actual volume of variable overhead used by specific offices, which may result in lower costs.

The Directive could be reworded to distinguish between authorization to 'acquire' or 'procure' services and authorization to 'use' services. This would provide clear guidelines as to who is responsible for obtaining the services agency-wide, and who is responsible for ensuring that the services obtained are used in a cost-effective manner.

Management's response *

"DISAGREE. While we agree that some form of office-by-office conveyance of costs may be cost effective, we are not in agreement with an office-by-office allocation of telecommunications budgets. Telecommunications costs should be higher in areas where the workload is higher and lower in areas where the workload is lower. Since we cannot even project our workload with much accuracy, it may present a problem to project telecommunications costs by office. In addition, a majority of these costs do not usually vary with small office or program changes, and if allocated: (1) would move agency-wide savings

from Commission control to cost center manager control; and (2) any savings telecommunications costs may be less than the additional resources required to generate them.

Also, the use of calling cards are monitored by the Office of Information Resources Management who currently require certification of the charges from appropriate cost center manager on a monthly basis."

UKW's comment

The recommendation to consider suballocating communications budget items to cost centers is a natural outcome of the "... conveyance of communications costs ..." In our view, the ability to track usage of services is essential as a prerequisite for controlling costs. By making cost center managers (whether departments or offices) responsible for the portion of the telecommunications budget representing utilization of services, we believe USITC can promote more economical, local management of such services. The alternative is to retain centralized budget responsibility for telecommunication utilization at OIRM—an alternative which has already been demonstrated to be a less effective approach to controlling such costs.

* *NOTE: The Chairman approved management's response with a modification that the Commission could informally consider the issue (suballocating budget items) by conducting an assessment of the issues and presenting findings and recommendations, if any, including some form of office-by-office conveyance.*

B) *USITC SHOULD IMPROVE POLICIES OR EMPLOYEE GUIDANCE ON RELATIVE COSTS AND PROPER USE OF COMMUNICATIONS SERVICES.*

Condition

The following are examples of areas where USITC policies or guidance published for employees was lacking or does not accurately communicate the most efficient use of services:

- *USITC Telephone Directory* does not indicate that local non-WITS service is charged on a per-call "message-unit" basis which is currently 6.5 cents per call.
- Employee guidance on the use of premium mail and courier services does not outline the most efficient methods for delivery.
- USITC has no formal policy for the use of the minivan.

Criteria

Page 34 of the *USITC Telephone Directory* states:

> *"Some people think the Government pays flat fees for unlimited long-distance service. It doesn't. Personal calls and extended conversations count. Each month, ITC receives an itemized bill showing the extensions from which calls were made, the destination numbers, and the minutes of connection. If you use your office phone for personal calls, you add to the ITC phone bill."*

GAO's *Standards for Internal Control in the Federal Government* outlines standards for an agency's system of internal accounting and administrative controls which includes the statement that:

> *"Access to resources shall be limited to authorized personnel. Access includes both direct physical access and indirect access through the preparation or processing of documents that authorize the use of disposition of resources. Periodic comparison shall be made at the resources with the recorded accountability to determine whether the two agree. The frequency of the comparison shall be a function of the vulnerability of the asset."*

Cause

The following factors may be the cause of some of observed limitations in USITC's current guidance:

- the desire to keep staff instruction materials concise and focused,

- the pace of updates or changes that would affect production of hard copy guidance materials, such as the numerous changes in the telephone operating system (i.e. dial -8 changed to dial-9, etc.)

- the complexity of service offerings and options,

- the perception that certain guidance, such as awareness of the true cost of message units, may not be material and thus is not needed, and

- the perception that staff guidance goes unused or unread

- other factors may circumvent the lowest cost requirement such as the need for expedited delivery.

Effect

Inadequate guidance may result in direct abuse (non-official use), indirect abuse or simply inefficient use of USITC resources. Specifically:

- Employees may not understand the cost impact of 'blindly' dialing 9 for local telephone calls.

- Express mail and courier services may not be utilized cost efficiently if employees do not understand the relative costs.

- The vehicles may not be used cost effectively.

Recommendations

3. Enhance staff awareness.

Staff awareness of the cost impact of their use of USITC communications services should be reinforced through strengthening of the wording of guidance such as the *USITC Telephone Directory* and *Administrative Procedures Handbook*, periodic seminars and new staff orientation, common-area posters, etc. Specifically, USITC may realize cost savings if staff know when to use overnight delivery or regular mail instead of a courier, and the fact that a message unit is generated for each 'dial-9' call. Improved staff awareness would reduce wasteful and inefficient usage. Further, the importance of individual commitment to improve tracking systems in place, such as keeping fax logs, using activity reporting codes, etc. should be emphasized. In general, improving policies and guidance for employees regarding the use of USITC resources is a low-cost way to improve the economy and efficiency of these services.

4. OMS should improve guidance on use of overnight delivery services.

USITC should provide employees with more formalized guidance on the use of overnight mail services, courier services and available alternatives. One method would be to post simple charts in staff common areas identifying eligible vendors and the

cost of service. Other control procedures, such as tracking and certification of airbills, also may help USITC control the potential for overuse of high-cost express mail services.

5. **USITC should update guidance materials to provide more cost information.**

USITC should update its Directive on mail services, as well as the USITC Telephone Directory (a more common resource for employees). For example, if employees are conscious of the fact that round-trip and rush charges can triple or quadruple courier fees, alternate methods of delivery or the overall urgency of the delivery may be reconsidered. As discussed in Finding A, there currently is little incentive by employees to control utilization costs since the expense responsibility is not within the office generating the cost, but within the Cost Center responsible for the budget object classes affected.

USITC also should update its Telephone Directory to mention the variable cost nature of non-WITS local calls.

6. **USITC should establish policy concerning the use or availability of the minivan.**

USITC should provide those employees responsible for the management of the vehicles with specific guidelines for the intended use of the minivan. As an alternative, USITC should update its Directive on the use of the sedan to provide guidance on how and when it is appropriate to call the mailroom to use the USITC minivan. If staff are not to use the minivan, the Directive should be modified to exclude specifically the use of the minivan.

Management's response

"AGREE. The Office of Administration will revise the USITC Telephone Directory and Administrative Procedures Handbook to include information and guidance on charges for use of mail, delivery services, and telephones.

The Office of Operations (OIRM) will provide periodic bulletins on procedures and charges associated with the use of telephones, voice mail, fax machines, data transmission facilities and related services."

UKW's comment

We concur with management's response, although we note that the response did not include comment on our minivan policy recommendation. Management's action should also ensure that "information and guidance" initiatives cover not only cost control-related information, but also emphasize the importance of tracking and logging of usage. This is especially true if Recommendations 1 and 2 are to be effective.

C) *USITC SHOULD REASSESS TELEPHONE LINES AND FEATURES.*

Condition

Procurement of new or changed telephone services at USITC has not always been accompanied by a reassessment of the impact of the changes. Key cost components in procurement are:

- Key Service Units (KSU's),
- specialized multi-line telephones,
- telephone line features (call waiting, call forwarding, etc.), and
- voice mail.

KSU's and multi-line phones have been purchased incrementally to reduce clerical costs and provide better functionality to staff areas. However, there has been no explicit plan to reassess whether the special features available through the new phone equipment may supersede the need for the same kinds of features on the lines supplied by the phone company. Similarly, the current voice mail implementation was started without specific consideration of the impact on lines and features. This may result in lines and features being used inefficiently.

Criteria

In line with the President's Council on Integrity and Efficiency report of 3/16/87,

> *"the purpose of ... internal controls [over the ordering, receipt and verification of telecommunications services] is to minimize telecommunications costs by ensuring that: 1) only needed services are procured; 2) billings for service are accurate; and 3) existing services are efficient, economical and still needed."*

Cause

USITC lacks an automated system for an inventory of lines, switches, employees and features. Changes are tracked manually in a cumulative fashion, but the ability to define reports to link information is limited. Policies for the periodic review and evaluation of the system also have not been established.

Effect

While routine changes may involve only one or a few individuals, consolidation of services, office moves or implementation of enhanced services (like voice mail) can have a significant impact. At USITC, several trends over the last few years illustrate this issue:

a) The move from single-line to multi-line telephones is serviced by the KSU which originally was implemented to allow enhanced services such as improved forwarding and call pickup. As a result of the increased availability of multi-line KSU-attached phones:

- ✓ Certain features on telephone lines (monthly recurring costs) may be eliminated since similar services are available through the KSU (one-time cost); and

- ✓ In-house call detail reporting is feasible.

b) Routine line moves and changes, especially for office or department relocations, involving additional internal wiring where old lines may not be disconnected if no longer needed or, more likely, may not have features removed as needs change. Specifically, there are over 200 data lines with features like "three-way calling" or "call forwarding" that are unneeded. Features are also available on hunt-group "unassigned" lines.

c) Voice mail service, expected to be introduced this year to reduce clerical support should also be viewed as a means to reduce unneeded lines and features.

In general, the ability to track and analyze the impact of moves and changes on individuals, assigned and unassigned lines and features is critical to the cross-referencing of information needed to place appropriate service orders and make changes in a timely fashion. Further short term changes may have negative long term cost implications.

Recommendations

7. OIRM should establish an automated inventory database of phone lines.

Currently, 85% of USITC's telecommunication costs are line-based charges (60% excluding FTS2000) and are not variable or controllable at the user level. With the Norstar KSU system able to provide many services currently provided by WITS (for a monthly fee) as well as reduce the need for active phone lines, USITC should develop a cost effective telecommunications system inventory and develop a plan to maintain and monitor the system as changes occur. For each WITS telephone line that can be eliminated, USITC can save about $250 annually. We believe, based on our review (which was not a line-by-line audit of USITC's 1400 lines), that there may be significant savings possible by compiling a comprehensive inventory of lines with an eye toward consolidation and reduction of the total lines in use.

In order to complete our analysis of USITC's telephone lines, we established a preliminary database for lines, features, users, locations, data/voice assignments, etc. A complete database of this type can be maintained in an accurate form that is both flexible and easy to maintain up-to-the-minute. We recommend that OIRM establish and maintain a database to provide reports of features, by telephone line type, and to determine:

a) which data and fax lines have features that should be available on voice lines only;

b) which lines are not assigned to individuals and, as a result, may be eligible for consideration to be eliminated or to have features removed;

c) which lines are KSU-attached and, as a result, may have multi-line capability (and which users have multi-line phones);

d) where users and lines are located; and

e) which users have which features.

An automated database would allow USITC to:

a) accurately and timely track moves and changes, yielding a "perpetual inventory" of telecommunications equipment and services;

b) report unneeded lines to be disconnected;

c) report "over-featured" lines to be changed;

d) report users to be moved to KSU's and/or multi-line capability;

e) link to call detail reports to provide utilization information electronically; and

f) consolidate lines and switches by organizational area (i.e., map the physical network to USITC's organizational structure) to take better advantage of KSU capabilities for local pickup, forwarding, etc. An automated system or database is needed to allow USITC to track lines and features and to associate lines with attached equipment, location and other information. Having such a database of information would likely help to reduce the number of lines and special features in use, saving on recurring monthly costs. Further, USITC should routinely assess its installed lines and features based on the impact of clerical support changes, the introduction of new technologies (such as voice mail), and the efficient use of modem line pools (rather than dedicated modems).

8. USITC should establish policy for maintenance of the line inventory database.

USITC should establish appropriate policies and procedures to ensure the ongoing accuracy and efficiency of their telecommunication system configuration via the automated inventory database. The goals are:

- To ensure that reporting of lines and features is readily available, accurate and timely,

- To ensure it can be used to assess the impact of proposed moves or new technologies to be implemented, and

- To ensure economical and efficient allocation of line resources to fulfill USITC staff communication needs.

Management's response

"AGREE. The Office of Information Resources Management will establish an automated inventory of telephone lines and line features. Procedures for maintaining the inventory and conducting periodic reviews of telephone lines and features will be established."

UKW's comment

The automated line inventory system, if properly maintained, will offer significant improvement in the timeliness of delivery of information needed to streamline operational costs by tailoring lines and features assigned to staff areas.

D) USE OF CALL DETAIL REPORTING SHOULD BE EVALUATED.

Condition

Call detail reporting is currently available for calling cards and commercial long distance only. WITS message unit service and (at present) FTS2000 calls are not reported by telephone number. USITC has other call detail reporting options, based on the availability of call detail recording on the Key Service Units (Norstar KSUs), currently supporting over 53% of the lines assigned to individuals. Norstar KSUs can capture and download records, by line, of all outgoing calls to attached PCs. PC software then can be used to establish call detail reporting based on the database of call activity.

Limitations to this approach include:

- 13 KSUs would need to be monitored separately, as technology limits the efficiency of interconnection between them.

- Without interconnection, one transportable PC could be set up to record a period of activity, or a PC would have to be assigned to each KSU for downloads.

- The consolidation, sorting and reporting of call detail records would require analysis and configuration by a PC-knowledgeable person.

- The linkage of call data activity to individuals by telephone number creates Privacy Act concerns.

Call detail reporting (CDR), given the Privacy Act restrictions governing the use of call monitoring, is the most effective means to detect abusive and inefficient calling practices at the level of individual phone lines.

Criteria

USITC Directive 3402.1 (4/5/93) on Control and Usage of Government-Owned or Provided Telecommunications Systems and Services provides the policies for telephone use and the means of certifying "official business use."

Privacy Act guidelines restrict monitoring of conversations as a means of ensuring official business use. In addition, FIRMR C-13 and USITC Directive 3402.1 recognize a broad definition of official business use. In general, the content of telephone messages is presumed official.

Implications of the changes between USITC 3402 (11/7/92) and USITC 3402.1 (4/5/93) include the determination, as sanctioned by 41 CFR 201-21.602(a), that cost recovery for unauthorized use will be attempted "if it is cost-effective to do so." This determination will be made by "the certifying supervisor" in the operational area. Nonetheless, as noted, the inability to monitor conversations and the presumption of "official business" leaves only call detail reporting as a means to certify use.

The President's Council on Integrity and Efficiency (PCIE) report issued on 3/16/87 suggests that computer-assisted techniques can be used effectively to "detect and control the unofficial utilization of Government-provided long-distance telecommunications resources." It identified eight specific automated selection criteria to be effective indicators of such unauthorized activity:

a) audio text calls (prerecorded messages, 900 numbers, etc.)

b) suburban area calls

c) resort area calls

d) collect calls longer than three minutes

e) third number calls

f) recurring off-network destination calls

g) unusual times

h) long calls (voice lines)

Sampling is considered a reasonable approach to identify abusive call patterns quickly; exception reporting provides the key to sorting out specific instances.

Cause

It appears that plans to provide ANI through FTS2000 have been delayed in implementation repeatedly since availability was first announced. USITC Administrative Order FY-93-13 expected certification for all calls (other than message unit calls) to be available by February 1993. Current estimates expect a September 1993 availability to be more realistic based on GSA local switch limitations.

Currently, call certification consists of forwarding photocopied bills to the appropriate area supervisor for signature attesting to the charges. The calling number is printed on the bills, but the name of the individual to whom the number is assigned is written in by telecommunications staff.

Effect

Installing in-house call detail reporting may have advantages over CDR, as implemented through the FTS 2000 system, which include:

- full call detail capture for KSU-attached lines;

- reduced abuse, even if limited PC availability requires less frequent monitoring, USITC can establish an unpublicized rotation for the auditing of call detail by KSU and publicize the capability to employees;

- customized exception reporting, so that USITC can direct reports of off-hours or frequently-called numbers to be produced, limiting confusion and time requirements for area supervisors to certify them;

- links with other databases, such as the telephone directory, offices, etc. for customized call sorting and analysis. The Privacy Act of 1974 suggests that the database be secured to a specific individual or group, and that call detail reports to supervisors be strictly controlled;

- possible cost savings (one time costs for installing additional KSUs and multi-line telephones, can be offset by reducing total number of lines needed and the number of special features on remaining lines);

- timelines, (in-house CDR is captured "real-time").

Appendix I of the 51FR 18982 provides criteria for a Privacy Act-compliance CDR system.

Recommendation

9. OIRM should review benefits of developing in-house CDR capability.

USITC should reassess the importance of call detail reporting in fulfilling its obligation to ensure "economical use of government-owned telecommunications services." Although the emphasis on the "cost effectiveness of cost recovery" can be seen to be a key factor limiting current call certification practices, we believe that controls over utilization, given Privacy Act concerns over the content of phone calls, must derive from the ability to capture call information. We have focused on the potential for USITC to develop its own CDR based on the capability of its telephone equipment to provide call detail capture.

In this regard, USITC should consider the use of in-house call detail reporting and expand their KSU system. This would provide two principal benefits: call detail for certification procedures which can be sorted and analyzed to USITC requirements and possible cost savings through a reduction of phone lines and special features.

Based on discussions with USITC's telecommunications provider, we offer the following suggestions regarding a possible means to introduce Norstar KSU-based call detail reporting at least cost. The focus is not only on providing the basis for cost controls, but to publicize throughout the organization that there is the means to do so. This has a deterrent effect on potential abusers, since the capability for the kind of random sampling we propose as a baseline system has been demonstrated (since the President's Council on Integrity and Efficiency report) to be effective.

USITC will require 11 SMDR cards (one for each KSU.) At $220 each under the GSA contract, this would cost $2,425. In order to facilitate full-time monitoring, a dedicated PC (with 2 megabytes of RAM and an 80386 or faster processor) would be needed at each station, each with its own copy of the necessary CDR software. Our recommendation for the baseline version would be for CDR to be set up on one such PC and for monitoring of KSUs to be scheduled on a random basis for a given period (one

or two weeks at a time) before being removed. The software cost (from Syntec, the third-party supplier recommended by Bell) is approximately $1,200. If USITC has a PC available that meets the specification recommended, the only additional cost would be for a 25-pin or 9-pin serial cable ($15.)

Note: A baseline in-house CDR capability can be established for under $3,700. In this approach, the key will be the deterrent effect of announcing the capability of in-house call detail capture on a random basis as much as the actual reporting to emerge. This approach minimizes cost and counters potential objections based on the volume of information that call detail systems can generate, while establishing the importance of CDR to cost certification and future cost recovery efforts. If this baseline system is seen as effective, additional PC's and software can be established. Note that only the 250 or so KSU-attached lines can be tracked--moving additional lines into available KSU ports may also be worth considering.

Management's response

"DISAGREE. As a result of the preliminary list of findings and recommendations provided April 1993, the use of call detail reporting was evaluated while the audit was still in progress. Based on that review and information provided by Urbach Kahn & Werlin, call detail reporting is judged not to be cost effective for local calls. OIRM is currently performing call detail reporting and certification for both domestic and international long distance calls as part of their telecommunications cost center management responsibilities.

Urbach Kahn & Werlin indicate that the minimum hardware and software cost to establish any local call detail reporting capability is $3,700. In addition, other costs would be incurred including training, OIRM staff time for operating the call detail system, an Office Director staff time for reviewing and certifying the call detail reports.... The cost of a local telephone call is 6.5 cents. To recover the hardware and software investment, at least 56,000 local calls will have to be eliminated. For every hour that agency staff spend operating the call detail system, producing call detail reports, and certifying the results, another 400-500 local telephone calls will need to be eliminated to produce any savings. These ratios of costs to benefits indicate to OIRM staff that call detail reporting for local calls is not cost effective.

In addition, the call detail reporting system recommended by Urbach Kahn & Werlin can only work with telephones connected to Norstar KSU's. Therefore, it focuses on just a limited number of users and offices, primarily: Commissioner Offices, the General Counsel, Office of Unfair Imports, and the rest of the office directors and their immediate staff. It does not provide for any call detail reporting for other agency staff. As such, the proposed call detail reporting system is not a random sample, nor does it provide universal coverage. Since it can only identify selected staff, it is and could appear to agency staff as discriminatory."

UKW's comment

Management's response appears to focus on the cost recovery aspect of the "limited CDR" recommendation and fails to mention the other factors underlying our assessment. These factors include the potential for full call detail capture (not just local calls), deterrence of wasteful or abusive practices, more ready detection of exception conditions, and more timely reporting. The call detail to be provided by GSA, when available, will arrive a month or more after the fact.

Through our understanding of PCIE, and in discussions with several organizations, we believe that the perceived limitations of the proposed partial CDR are neither discriminatory or selective.

The deterrent effect of the announcement of a general CDR capability (where none is currently enforced) has been adequately demonstrated in other reports, including PCIE. We also believe that the KSU limitation need not be publicized.

Since the deterrent effect extends to all "non-business calling patterns" (not just local calls), we believe that cost justification for this recommendation not be limited to local calls. However, even if savings of local calls were the only consideration, we note that 56,000 local calls represents an average of less than 2.4 calls per week for each of USITC's 450 employees. This number does not appear to be unreasonable.

With respect to the issue of "random sample" or "universal coverage," we note that the primary goal of the recommendation is not to target individuals or even specifically to "identify selected staff." The primary goal is to provide a basis for the capture of information related to calling patterns by department or office, to identify exceptions where practical, and to facilitate development of cost control strategies based on the ability to monitor usage. As with our recommendations concerning suballocation of budget controls, the aim is to move towards the general government goal of "direct accountability." The alternative is to continue to allow access to telecommunications services with only after-the-fact, partial certification of costs.

E) USITC SHOULD RE-EVALUATE ITS MAILROOM SERVICES CONTRACT.

Condition

Mail service operations within the USITC have been contracted with one firm since 1988. Since that time, only limited operational or technological changes in mail or package delivery have occurred. As a result of regulatory changes and concerted efforts by management to reduce mailing costs, USITC will experience several significant changes in its mail service operations including:

1) mandatory metered mail
2) the possible use of the U.S. Government Printing Office, and
3) the possibility of utilizing presorting.

Criteria

48 CFR 19.201 states "*It is the policy of the Government to place a fair proportion of its acquisitions, including contracts and subcontracts for subsystems, assemblies, components, and related services for major systems, with small business concerns and small disadvantaged business concerns.*"

Cause

This condition is caused by new policies and procedures being implemented.

Effect

Due to the changes in work load and staff training requirements, contracting the mailroom services may no longer be cost effective or efficient. A preliminary analysis indicates that eliminating the contract could potentially save up to $40,000 per year for USITC. This preliminary calculation is based on information obtained from the Office of Personnel and assumes that no changes from current staffing levels are required. This analysis also excludes additional overhead and administrative costs related to maintaining employees in the mailroom.

Recommendation

10. USITC Administration should reassess its mailroom services contract.

Management should re-examine the contract for mailroom services and consider the effect of other factors such as flexibility under the contract, cost of transitioning the mailroom to new staff, the "trust" factor (an employee in the office did not "trust" the mailroom operations and personnel because they were not Federal employees), and the political ramifications of increasing USITC's FTEs. Another significant factor to be considered is the effect other upcoming events will have on the mailroom workload, such as metered mail (direct accountability) requirements and other postage and mailing reduction efforts underway by USITC. Management should weigh the benefits against the additional costs in contracting out this service.

Management's response

"PARTIALLY AGREE. While we agree that the mailroom services contract should be reviewed for the type of services required of a contractor, we disagree that contracting for mailroom services is not cost effective or efficient. We had several years of experience with trying to maintain a stable government employee workforce for the types of activities covered by the contract (i.e. mailclerks, laborers and driver) and found that since there is consistently high personnel turnover that we were frequently having to reduce services or press other people into temporary service to get the job done. The ITC has had a contractual arrangement since October 1, 1988 and it has worked very well because the contractor is obligated to have a full workforce at all times. The contract provides the capability to add more laborers on short notice for special jobs. A recent example was the need to set up three hearing rooms for the steel case on short notice. Even if authority were available to hire Federal employees to perform these activities Administration would make the case that contracting is the better approach. As for the 'trust' factor mentioned in the audit it is noted that this observation was made by only one person.

Administration is assessing the new mailroom contact which will begin in FY 1994 in light of changes to metered mail and the possibility of changing mail delivery procedures in order to reduce the cost of the contract."

UKW's comment

Our major concern is that the mailroom services contract should be reassessed. One possible consideration in that assessment is whether contract services continue to be cost effective and efficient in FY 94. The key concern was not whether to contract or to use Federal employees to staff the function.

The focus of the recommendation is on whether the contract (as it stands) provides for sufficient control over mailing procedures. This includes whether the current contract employees can handle the shifting workload anticipated based on initiatives like the changes in bulk mailing procedures and whether metering will have an impact on the skills and staff levels needed.

The "trust factor," although minimized in management's response, is not insignificant. It is essential for the mailroom handlers to be sensitive to the control procedures, tracking needs and prioritization of services provided. Even if a contract service is used, USITC staff have a right to expect mail to be handled in strict accordance with applicable guidelines. The examples we cited relating to exceptions to documented procedure and the perceptions of staff regarding the mailroom are issues which should be considered.

We also continue to believe that the cost effectiveness of contracting services should be considered in light of the possibility of competitive rebid (after six years) with the same contractor.

F) USITC SHOULD CONSIDER UTILIZING THE MINIVAN OR SEDAN FOR DELIVERIES.

Condition

We noted several occasions in which USITC utilized their regular courier service to send reports or documents within the metropolitan area when the USITC minivan or sedan was not in use. Our testing of logs for calendar year 1992 showed that, on average, the USITC's minivan was used less than ninety minutes per day and that the sedan was used less than three hours per day. We understand that mailroom staff have been instructed that the van is not to be used for any trips other than for furniture and file transportation, and for making "burn runs" to destroy USITC confidential material; however, there is no written policy on appropriate use. The sedan is, however, being used for some messenger delivery and pickup service.

Criteria

USITC Directive 3003 Paragraph 3 states "*Since there are, at times, competing demands for the use of the sedan, the following priorities are established:*

(1) Transportation of USITC employees for emergency health reasons
(2) Commissioners...
(3) Other official business, such as transporting staff...and special package deliveries."

The USITC *Administrative Services Procedures Handbook* p.14 states "*The mailroom may use the agency driver to make special package deliveries for USITC personnel when the driver is not scheduled for other priority services. The mailroom will contact a local courier service for USITC personnel when the driver is not available.*"

Cause

There appears to be some misunderstanding between the mailroom staff and OMS personnel regarding the use of the vehicles or courier services for package delivery.

Effect

The minivan or sedan may be underutilized, while USITC is paying for courier services which USITC may be able to provide for itself.

Recommendation

11. OMS should review the availability of USITC vehicles for local delivery.

The operating costs of USITC vehicles are mostly fixed costs (as the lease payments are fixed) and the labor costs still would be incurred in the mailroom if the vehicles were not in use. It appears that USITC could reduce their special mail and courier costs if the vehicles were used to provide some of the messenger deliveries currently contracted out. We recommend that all employees be reminded of the scheduling requirements for utilizing USITC vehicles and that USITC vehicles be utilized for

messenger deliveries where courier services add surcharges (such as rush deliveries, round trip charges) which add substantially to the cost of their services. To the extent possible, these deliveries also could be coordinated to include metropolitan area next day deliveries currently being sent by courier.

Management's response

"AGREE. In so far as OMS can utilize either vehicle without interfering with services to Presidential appointees or otherwise interfering with mission accomplishment, it will continue to do so.

However, a factor weighing against the practical utilization of the van or sedan for this purpose is the need for two persons to accompany it in most instances. That is, legal parking spaces around most pick up and delivery sites are at a premium, necessitating one person to 'run' the package in, or pick the package up, while the other person stays with the vehicle and circles the block."

UKW's comment

Our review of delivery services indicated that USITC vehicles may be able to be used for deliveries, if not scheduled for other purposes, based on the amount of time they are available and unused or unscheduled. Clearly, our recommendation was not intended to suggest OMS "interfere" with the organization's mission. If the vehicles are required to be on standby for unscheduled use by Presidential appointees, the policy directive should reflect this use.

With respect to the staffing issue, one of the considerations for use of the vehicles for delivery will be staff availability (one or more, as noted), and the importance or urgency of the item to be delivered. Consistent with our overall recommendation concerning guidance on the use of "priority services," we believe that the use of fixed-cost agency vehicles and courier services should be assessed in light of improved guidelines on how to define whether same-day, overnight or two-day services should be used.

Finally, we note that many deliveries are to and from government agencies. Thus, Commission vehicles could likely park in reserved spaces at these locations, allowing for one staff driver to be sufficient.

G) LOGS SHOULD BE MAINTAINED AT FACSIMILE MACHINES.

Condition

Certain USITC facsimile machines did not retain transmittal cover sheets or the machine-generated activity logs at the fax location to monitor the usage of the equipment. Other than the call detail generated for fax calls, there is no record of incoming/outgoing fax activity. Since fax calls can be lengthy, there is a possibility of associated costs being unaccounted for. Additionally, there is the potential for unauthorized use.

Criteria

GAO's Standards for Internal Control in the Federal Government outlines standards for an agency's system of internal accounting and administrative controls which includes the statement that:

> *"Access to resources shall be limited to authorized personnel. Access includes both direct physical access and indirect access through the preparation or processing of documents that authorize the use or disposition of resources. Periodic comparison shall be made of the resources with the recorded accountability to determine whether the two agree. The frequency of the comparison shall be a function of the vulnerability of the asset."*

USITC Directive 3402.1 Paragraph 9e provides guidelines for the use of the facsimile equipment that include

> *"Offices which have facsimile machines are encouraged to maintain logs of messages sent to provide backup for supervisory certification that such messages were for official business purposes should such certification be audited."*

Cause

It appears that detailed procedures for the development of the logs, as well as determining staff responsible for the maintenance of these logs, was not adequately delineated.

Effect

Since facsimile machines are used by many different employees, call detail reporting alone would not provide enough information on the use of the equipment for call certification procedures. Without the use of logs or transmittal cover sheets indicating which staff used the equipment and when, USITC does not have adequate records to perform call certification procedures.

Recommendations

12. OIRM should establish structured procedures to collect fax usage information.

The Office of Information Resources Management should be assigned the responsibility to track facsimile machine usage, perhaps by instituting a simple policy to gather information needed to facilitate tracking the volume and purpose of facsimile machine calls.

Such a policy might include the maintenance of a notebook or binder at each machine to retain transmittal cover sheets as documents are sent. When the machines print out the periodic activity reports, this detail can be cross-referenced to the transmittal cover sheets, or other call detail reports, and be used for call certification procedures.

13. USITC guidance should be updated to include fax tracking procedures.

Employee guidance documents which outline proper equipment usage (such as the *Administrative Services Procedures Handbook* or the *USITC Telephone Directory*) should be updated to inform employees of the proper procedures for implementing these logs.

Management's response

"DISAGREE. The major cost component of using a facsimile machine is the cost of the telephone call. Domestic and international long distance calls are already being tracked and certified. It is not cost effective to track and certify costs associated with local calls. The purpose of a facsimile machine is to facilitate communication, not generate additional bureaucracy. Urbach Kahn & Werlin has not demonstrated or described any real or potential benefit of having logs, other than the ability for the agency to then develop "log" processing procedures."

UKW's comment

Our recommendation proposed maintaining transmittal cover sheets (sent with faxes) and the activity logs (periodically produced automatically by the fax machines) together at or near the fax location. We strongly believe that the implementation of this procedure will not "generate additional bureaucracy." The fax cover sheets are prepared anyway and the machine prints the log. We continue to believe that these items can be helpful to managers seeking to certify phone bills or to staff attempting to document the date/time of a transmission.

H) USITC PERSONNEL SHOULD USE TELEPHONE CALLING CARDS WHILE TRAVELING ON OFFICIAL BUSINESS.

Condition

Although the amounts are generally not material, and the frequency not significant, certain USITC employees are charging hotel telephone calls through travel reimbursement vouchers. In all cases, the phone charges were billed by the hotel with a substantial markup. None of the travel reimbursement vouchers indicated there was an emergency situation or that the exception to the policy was reasonable.

Criteria

USITC Directive 3402 attachment, *Guidance on Placing Long Distance Calls While Traveling on Official Business* states, "*While on travel, use of a calling card is mandatory except in emergency situations*".

Cause

It appears that USITC personnel may not fully understand the cost savings gained by using their calling cards while traveling on official business or that exceptions to this policy are required to be documented on the travel voucher.

Effect

USITC appears to have paid the more expensive hotel rates for these phone calls.

Recommendation

14. OFB should ensure proper documentation of phone charges billed through hotels.

The Office of Finance and Budget should continue to ensure compliance with USITC policy regarding the use of long distance telephone charges by securing appropriate documentation for phone charges submitted for voucher reimbursement.

Management's response

"AGREE. USITC Directive, No. 3402.1, Control and Usage of Government Owned or Provided Telecommunications Systems and Service, states that 'While on travel, use of a calling card is mandatory except in emergency situations.': For employee's safety, convenience, in instances where the Government calling did not work, and with the thought of facilitating, not hindering the employee's mission, we have used our judgement to allow reasonable telephone charges on the hotel invoices. While we have questioned the non-use of a Government calling card we have not always documented it.

OFB will remind cost center managers of the requirement to use a Government calling card and we will assure proper documentation for all telephone costs on travel vouchers."

UKW's comment

Our recommendation sought to clarify policy with respect to use of cards on travel. In this regard, USITC's policy clearly requires documentation and deters use of hotel phones when card can be used.

I) *USITC SHOULD DETERMINE THE WHEREABOUTS OF ALL ACTIVE TEMPORARY CALLING CARDS.*

Condition

In connection with our review of USITC's policies for handling temporary telephone calling cards, we noted seven temporary US Sprint calling cards and seven temporary AT&T calling cards which were logged out as of the day of our review. Some of these cards have apparently been logged out since 1991. We also noted twelve instances in which temporary calling cards received by USITC were not added to the log book and were not in the safe in the Office of Finance and Budget (OFB). Finally, we noted two instances in which calling cards returned to OFB were not properly logged back in.

Criteria

GAO's *Standards for Internal Control in the Federal Government* outlines standards for an agency's system of internal accounting and administrative controls which includes the statement that:

> *"Access to resources shall be limited to authorized personnel. Access includes both direct physical access and indirect access through the preparation or processing of documents that authorize the use or disposition of resources. Periodic comparison shall be made at the resources with the recorded accountability to determine whether the two agree. The frequency of the comparison shall be a function of the vulnerability of the asset."*

Cause

While the Office of Finance and Budget maintains a log for the issuance of temporary calling cards, it appears that this log is not being controlled properly, nor used to periodically reconcile the whereabouts of outstanding cards and ensure that they are returned by the traveler in a timely fashion.

Effect

Active temporary calling cards may be used for unauthorized use.

Recommendation

15. OFB should ensure that all 'temporary' calling cards are accounted for.

USITC should obtain current lists of all active temporary calling cards, determine their whereabouts, and cancel any cards which are unaccounted for. This process will reduce the risk of unauthorized use of USITC's calling cards. USITC also should deactivate and destroy any excess temporary calling cards and retain only a minimum number of temporary calling cards.

Controls also should be established to ensure temporary cards issued are returned in a timely fashion (such as adding an expected return date to the log). OFB staff would be responsible for periodically reviewing the log for cards not returned by the expected return date.

Management's response

"AGREE. The twelve Sprint calling cards not added to the log book and not in the safe were found in a locked file cabinet. These additional calling cards were requested so that OFB could assure adequate availability when required by travelers (see requirement in recommendation #14 above). The number of calling cards on hand (Sprint and AT&T), in our opinion, are the minimum number required to properly service Commission travelers.

As stated above, the use of calling cards is monitored by the Office of Information Resources Management who require certification of the charges from appropriate cost center managers on a monthly basis. The Office of Finance and Budget will maintain a current listing of all calling cards issued by OFB, and will reconcile this list on a monthly basis.

The AT&T calling cards issued by OFB are not intended to be 'temporary'. In prior years it became apparent that by utilizing temporary calling cards we could not determine responsibility for the costs. We therefore secured additional AT&T calling cards, issue them permanently to travelers and DO NOT want them returned until the employee leaves the commission.

Sprint calling cards issued by OFB are intended to be 'temporary'. Permanent Sprint calling cards are issued by OIRM. OFB will establish procedures to assure that the temporary calling cards it issues are returned in a timely fashion."

UKW's comment

No comment considered necessary.

J) USITC SHOULD HAVE AN AIRBILL, OR AUTHORIZED SIGNATURE ON THE AIRBILL, FOR ALL FEDERAL EXPRESS DELIVERIES.

Condition

Some Federal Express official outgoing letter and package deliveries appear to bypass the mailroom and, as such, there is no record of the airbill within USITC. Consequently, there was no authorized signature on the airbill (usually the mailroom staff authorize pickup). These deliveries were apparently sent by using the ground floor Federal Express drop box and copies of the airbill were not provided to the mailroom. We also noted that there are no controls over preprinted Federal Express airbills as they can be obtained from the mailroom, supply cabinets, and some employees' desk drawers. The current method of tracking Federal Express airbills provides for utilization without accountability.

Criteria

The USITC *Administrative Services Procedure Handbook* states, *"Any airbills that are returned to the Commission without an authorized signature are treated as an unauthorized procurement"*. As all of USITC's regular Federal Express pickups are made in the mailroom, only mailroom personnel are authorized to sign for outgoing Federal Express deliveries.

Cause

By USITC personnel not providing the pink copy of the airbill to the mailroom, there was no record of the airbill within USITC. OMS staff also are not reconciling airbills to Federal Express invoices provided to them for approval by the Office of Finance and Budget.

Effect

This discrepancy provides a much greater potential for misuse as indicated by the testing implemented. In addition, the figures that OMS uses on reports for internal purposes (but not for budgetary purposes) were understated because they were calculated based on the number of pink airbills in the mailroom. Due to inconsistencies in accounting procedures for costs between the mailroom and OFB, the quantity of missing airbills cannot be reasonably estimated.

Recommendation

16. OMS should take steps to improve control over Federal Express airbills.

USITC should implement procedures to control or limit access to preprinted Federal Express airbills, and use cost codes to help certify airbills as official business. In addition, USITC should reconcile <u>all</u> invoice charges to airbills to determine who is not submitting airbills to the mailroom. This would also be an appropriate area to suballocate budgeted costs for increased accountability as discussed in Recommendation 2.

Management's response

"AGREE. In reality, the Office of Management Services (OMS) must balance the needs of its clients with the optimum of protection. In order to improve controls while maintaining user requirements, OMS will develop procedures for airbill or waybill vendors."

UKW's comment

We had observed that airbills in many cases were readily accessible to staff (and others), and that drop points (such as that for Federal Express) were not supervised adequately to prevent misuse. The procedures to control airbill services, as noted in the management's response, appears to be the start of corrective action in this regard. It is critical that airbills be able to be matched against invoices for such deliveries.

K) USITC SHOULD REDESIGN THE VEHICLE TRIP LOG.

Condition

Staff within the Office of Management Services currently generates a computer report listing each trip made by the sedan, odometer readings, time of each trip and number of passengers. This information is obtained directly from the manual log maintained by the driver of the sedan as each trip is made. Not only does this report repeat the data on the manual log, but we also noted numerous discrepancies between the manual log and the computer report. The computer-generated report does not appear to be reviewed or used by management for analyzing the sedan usage. We also noted that the manual trip logs do not have space for drivers to indicate the purpose of the trip.

Criteria

Proper personnel management requires that staff efforts be spent to assist management obtain adequate information to promote improved management decision-making.

USITC Directive 3003 states that when employees call to schedule the sedan, employees should "*indicate the (a) time of departure, (b) purpose of trip, (c) how many will be in the party, and (d) whether the party will need to be picked up...*".

Cause

Procedures for OMS to document the specific purposes for which USITC vehicles are used are not enforced and the mechanism for entering the data into the computerized system does not ensure accurate transcription.

Effect

OMS staff appear to be spending considerable time preparing reports that are not currently reviewed or used by management. Also, while the logs currently indicate passengers and destination, trips to the Navy yard by the minivan cannot be reviewed to determine the purpose of each trip (furniture, 'burn' run, etc.).

Recommendation

17. OMS should redesign the vehicle trip log.

We understand that during the course of our review, the maintenance of the computerized trip log has been discontinued. We recommend, however, that the manual vehicle trip log should be redesigned to ensure inclusion of the purpose of each trip, and ensure their use conforms with USITC policies and directives.

Management's response

"AGREE. Documenting procedures are enforced. However, documenting the "purpose" of Commissioner trips is 'transporting Commissioners' and the location and number of passengers, if any. Further information on the business purposes of a particular

Commissioner's trip may be sought by the IG from the Commissioner. Vehicle use reports are reviewed by the Chief and Assistant Chief, Facilities Management Division and the Director, Office of Administration. In any case, OMS has made the following recommended changes:

1. The computerized vehicle log has been eliminated
2. The manual trip log has been redesigned."

UKW's comment

Our reading of the logs contradicts management's response that "... documenting procedures are enforced ...", except at a rudimentary level. We continue to stress that the "purpose" of vehicle trips was not often given. In this regard, we do not believe that "transporting Commissioners," a fact evident from reviewing the passenger list, sufficiently identifies the "purpose" of the trip. We thus continue to believe that improving the log will likely minimize future uncertainty regarding "purpose."

SECTION IV
OTHER MATTERS AND SUGGESTIONS

L) USITC IS NOT BEING PROPERLY CHARGED BY GSA FOR SPECIAL PHONE LINE FEATURES.

Condition

In connection with our review of the WITS billing reports for fiscal year 1993, we noted that USITC was not being charged for special line features (i.e. call forwarding, call waiting, etc.) in accordance with established rates set by GSA. It would appear, however, that GSA has begun to correct this situation in recent months and soon may begin properly charging USITC for these services.

USITC may discover a significant increase in their WITS service costs (relative to budgeted amounts) as GSA begins to bill properly for line features such as three-way calling, speed dial, etc. Our review database of USITC line features indicates that about $50,000 per year in feature charges alone can be assessed based on the features currently installed on all USITC lines, according to the WITS rate chart for the features.

Suggestion

USITC should implement procedures to ensure telephone features are maintained at optimal levels and to reduce anticipated future increases in charges from GSA. In addition, the impact of the expected FTS-2000 change to usage-based (rather than fixed line-cost) billing should be addressed before the change goes into effect, so appropriate cost control methods can be considered.

USITC should monitor its WITS charges closely in relation to the amounts budgeted for this service to determine if these feature costs are increasing the amounts paid for WITS. The additional costs for these services may be offset by reducing the total number of active telephone lines within USITC as well as the number of features, the assessment of which would be greatly facilitated by maintaining an up-to-date line inventory.

Management's response

"AGREE. OIRM agrees that GSA is not properly charging for special phone line features. In addition, as the audit report notes, GSA is expected to change from a fixed line-cost basis to a usage-based costs for FTS 2000 service. OIRM does not have sufficient information at the present time to project the overall impact of these GSA changes.

The proposed action is a combination of the proposed actions for items 1. and 7. above. Directive 2103, revised to assign responsibility for usage charges to users and their respective supervisors addresses the issue of conversion from line-based to usage-based charges. OIRM's use of the automated inventory as established in recommendation 7. and the procedures for periodic review will ensure telephone features and number of lines are maintained at optimal levels and thereby address costs associated with correct billing by GSA for line features. With increased cost center monitoring and a corresponding decrease in the

overall number of lines and features in the inventory, the possibility exists that annual charges would remain at previous levels."

UKW's comment

We note that OIRM acknowledges that it lacks information to project the impact of the GSA changes. We trust, however, that our recommendations regarding line inventory and data collection will allow such projections to be made in the future, as needed.

M) MANDATORY POSTAGE METERING WILL LIKELY INCREASE COSTS.

Condition

During our review, we noted situations which would allow for inaccurate tracking or accounting for postage costs:

- Through tests and interviews with USITC personnel, it was noted that some United States Postal Service (USPS) official business outgoing mail and packages had bypassed the mailroom. These items were dropped off by staff in the ground floor drop box or other mailboxes outside USITC property. Since all official mail is supposed to be accounted for in the mailroom, and since the USPS does not currently report mail volumes back to the originating agency, costs associated with mail that bypasses the USITC mailroom are not being captured.

- We also noted that several areas of controls were not tested by OMS' *Internal Control Review of Mail Services* dated June 30, 1992, including the mailroom's handling of mass mailings of print shop publications. We noted that the areas in which exceptions were found in our testing previously had not been tested, such as whether each piece was properly weighed and each address examined for destination. We also noted one instance in which a package was not shipped using the lowest cost service, which conflicts with the FMFIA review indicating consistent adherence to 'least-cost' mail methods. Based on our tests, we noted two conditions: 1) that routine mail handling does not follow documented procedures, and 2) the FMFIA internal review process, based on these same documented procedures, may not be a reliable basis for asserting the status of the control environment.

- We also noted that the amount actually paid and reported to the USPS for fiscal year 1992 postage was approximately $166,000. The amount of costs calculated by the mailroom was approximately $257,000. The $166,236, however, was paid and accrued as a result of an allowable USPS sampling technique which was intended to be representative of USITC's actual usage.

Mandatory metering procedures, when implemented, may result in a significant rise in postage costs since this system will ensure all USITC mail costs are captured.

A portion of the routine mail appears to be improperly segregated by weight and address to ensure accurate tracking on the mailroom computer, which at present is the primary means to assess volume. For example, a report mailing of over 800 pieces was tracked by weighing one piece and developing a standard domestic mail charge, then multiplying that charge by the piece count. However, the mail list for the report included over 40 international addresses, which could be expected to cost more to mail; in this case, only the combined domestic USPS charge was captured.

We also noted instances where it appears that some USITC personnel are unaware that by using the ground floor USPS drop box for official business, they were bypassing the mailroom and its mail volume tracking system, leading to an indeterminate amount of understatement of total mail volume.

The significant difference between the amount of postage paid to USPS and the amount accrued on the mailroom computer appears to be primarily due to the fact that the actual mail volume for three of the four weeks sampled according to Penalty Mail reimbursement rules incurred significantly lower than average postage volume.

Suggestion

USITC should anticipate a significant increase in fiscal year 1994 postage expense when metering is implemented. Therefore, we urge consideration of several measures to improve the ability to track costs in line with the move, to 'direct accountability'. These include considering the use of the USPS's Official Mail Accounting System (OMAS) subaccount reporting mechanism which allows departmental budget or activity codes entered on mail to be tracked and returned to USITC on tape.

We have identified a method whereby USITC could track their actual postage costs departmentally beginning in fiscal year 1994 using the USPS's OMAS which would allow USITC to track postage costs and activity more accurately.

We suggest that OMS inquire further into cost code reporting before the direct accountability (meter mail) becomes effective October 1, 1993. A brief overview of cost code reporting is as follows:

> Cost codes are subaccount numbers that may be used on direct accountability postage documents (i.e. envelopes), at USITC's option, to identify component units of the department responsible for the transactions. They have no meaning to, and are not used by, the USPS. As a service, USPS enters cost codes into the OMAS when provided by USITC. USITC may use this data provided on tape by the USPS to track postage costs by departments. Cost code usage does not affect the budget process, but rather provides management with information to determine where the costs are being incurred and for how much. Existing code systems, including department budget code, block number or ARS code could be used.

We understand that the metering equipment being proposed for installation by USITC to fulfill fiscal year 1994 postage requirements may itself incorporate features that would facilitate

some form of cost code reporting and/or chargeback. We recommend that the capabilities, costs and administrative overhead associated with tracking mail using the in-house metering system be weighed against a similar review of OMAS capabilities and costs.

Proper mailroom operating procedures should also be documented in greater detail to ensure contracted mailroom personnel are following established USITC Directives and guidance. In this regard, USITC may consider publishing a detailed mailroom operating manual which incorporates the direct accountability procedures to improve guidance to mailroom personnel.

Management's response

"The Office of Management Services agrees that postage will likely increase. OMS has coordinated the issue of postage cost increases with senior management and the Office of Finance and Budget. Both have been made aware for several fiscal years that increases were highly likely, and they endorsed OMS' decision to save Commission funds in the interim.

In early FY 1993, OMS undertook a proactive review of the issue of accountability, including a review of the 'OMAS' system.

OMS found that by capturing data at the point of metered postage application, which can be accomplished by acquiring the appropriate system; and by establishing appropriate contractor procedures, OMS can establish department accountability where needed (with little or no impact on the customer). This also allows the Commission to consider 3rd/4th Class Mail commingling.

OMS' study of the OMAS system found it to be impractical and unnecessary. The OMAS system requires that each Commission staff member handcode in a specific location on each mail piece a special discrete code. OMAS then captures the incidence of these codes and returns this data in set, non-manipulable format on a 15 inch tape reel (which cannot be read inhouse).

OMS will have an automated postage metering system with accountability capability in place prior to October 1, 1993."

UKW's comment

Our interview with OMS staff did not disclose that OMAs had been reviewed "in early FY 93." As we noted, the metering equipment "may itself incorporate features that would facilitate some form of cost code reporting and/or chargeback." With management's acknowledgement that these features are available, the comments regarding OMAS are not the primary issue.

N) USITC SHOULD CONSIDER ALTERNATE VENDORS FOR ITS GENERAL COURIER SERVICES.

Condition

We noted that USITC has contracted with one general courier for the last several years without documenting any consideration of competing vendors. USITC also uses three different courier services procured for three different offices within the USITC: the Office of the Secretary, OIRM and OMS. We have also noted concerns from employees about the quality and availability of services provided by the USITC's general courier (specifically, staff noted that the courier was not always available according to the regular work schedule of USITC or after hours.)

Suggestion

USITC should obtain written quotations from other courier services within the metropolitan area in order to determine if the USITC's current vendor is the most efficient for its needs. Management also should discuss the possibility of consolidating the courier services to increase their cost effectiveness.

Management's response

"OMS concurs with the need to reduce the costs of conveying materials to the maximum extent possible. Courier trips will be done by ITC driver/messenger where possible. Courier contracts will be combined, where appropriate."

UKW's comment

Our original comment only suggested "consideration" of alternative vendors. Obviously, if there are means to streamline courier contracts or use USITC vehicles, these should also be examined.

O) USITC SHOULD EVALUATE ALTERNATIVES FOR LOCAL OVERNIGHT DELIVERY.

Condition

We noted that the mailroom generally does not use any next-day services within the metropolitan area. If a package/letter delivery is required within the metropolitan area, USITC's general courier is used. When the next-day service was used (Federal Express), it was in violation of the terms of a GSA contract. USITC recently learned, however, that Roadway Package System has an overnight delivery service available for the metropolitan area with relatively low rates. The USPS also has next-day delivery services available that also are less expensive than courier service.

USITC Administrative Announcement FY92-30 Change in Vendor for Overnight Package Delivery Service dated July 15, 1992 states "*Federal Express should not be used to deliver packages within the metropolitan area.*" This policy is a requirement of the GSA contract with Federal Express. Conversely, USITC Directive 3350.1 Mail Standards and Procedures indicates as an authority the Federal Information Resources Management Regulations 201-45.107, dated 7/1/90. Paragraph 3(e) of this section states, *"Dispatch mail at the cheapest rate consistent with the need for service".*

Suggestion

USITC should consider establishing a clear policy for which services should be used for metropolitan area overnight package delivery service. Management should consider the use of USITC's vehicles for some deliveries when feasible. We also recommend that the mailroom consider using second-day delivery services through UPS or USPS under those circumstances in which timing is less critical.

Management's response

"OMS cannot develop a carrier specific policy for metropolitan area overnight package delivery service - nor can OMS override requestor's decision as to the expeditiousness of delivery required. OMS instructions to the contractor (formalized and provided to requestors) is that the lowest cost means available which accomplishes the requirement is to be used. The carrier changes as the prices fluctuate and also based on weight, location and speed required. OMS agrees that the Commission vehicle should be used when available. OMS will continue to consider 2nd day UPS or USPS where appropriate."

UKW's comment

Our recommendation was not to ask OMS to "... override (a) requestor's decision as to the expeditiousness of delivery required." Rather, our recommendation was to determine, in absence of specific instructions from the requestor, whether more cost effective means for overnight metro delivery could be employed. Roadway or UPS should be considered, and even recommended to the requestor by the mailroom as an alternative to courier, where appropriate. We understand that prices vary by a number of factors, including "weight, location and speed." In summary, USITC policy should require OMS and its contractor to proactively convey such information to USITC's staff to help save costs by determining the best means to balance these factors.

P) USITC SHOULD CONSIDER ESTABLISHING A FORMAL ORGANIZATION PLAN FOR COMMUNICATIONS SERVICES.

Suggestion

Although we noted no significant issues with the actual procurement of vendors providing communications services (many of the vendors are subject to mandatory contracts), we

understand that there is no formal organizational plan for providing services within each area (telecommunications, mail and delivery services). In general, we believe that a regularly updated plan for implementing new services, technologies and operating methods can be extremely helpful to an organization in focusing on key issues for integration with current systems (including mandatory-for-use programs). Without such a plan, implementation of services can tend to be reactive rather than proactive in meeting the organization's emerging needs.

Management's response

"OIRM agrees the agency may benefit from having a more formal planning document for communications services. OIRM will develop a telecommunications planning document similar to the sample outline provided by Urbach Kahn & Werlin but tailored more to the ITC's needs. OIRM views the sample as a menu of possible areas to be addressed and will select for inclusion in the planning document those topics most appropriate to the agency.

OIRM will develop and maintain a telecommunications plan that includes an overview, strategic plan, and operational guidance with a level of detail that fits the size and scope of agency telecommunications requirements.

OMS believes that there should be a specific 'plan' for mail and courier services because of its fiscal and mission importance."

UKW's comment

The sample plan submitted was intended as an outline, and we acknowledge that the tailoring of this plan to ITC's requirements is not only appropriate, but essential.

AD-Q-626

UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

August 30, 1993

MEMORANDUM

TO: Inspector General

FROM: Director, Office of Administration

SUBJECT: Draft Report, "Economy and Efficiency Review of Communications Services"

As requested by your memorandum dated July 22, 1993, (IG-Q-037), submitted herewith are the responses from the Office of Administration and the Office of Operations to the subject draft audit report. In accordance with Section 11 of the USITC Directive 1701, the Commissioners have had an opportunity to comment on the response and the Chairman has approved it (see attached memorandum). *

The attached response includes the actions to be taken and the target completion dates.

Please call me at 205-3131 or Bill Stuchbery at 205-3135 if you have any questions.

ATTACHMENTS

cc: Director, Office of Operations
Director, Office of Information Resources Management
Director, Office of Finance and Budget
Director, Office of Management Services

* Memorandum not included in audit report

ADMINISTRATION'S AND OPERATION'S RESPONSES TO THE DRAFT AUDIT REPORT ON THE ECONOMY AND EFFICIENCY OF COMMUNICATIONS SERVICES

RECOMMENDATION 1-2 Cost center responsibilities for communications budget object classes should convey authority for cost control.

1. Administration should modify Directive 2103.

Although the majority of the telecommunications budget is controllable at the OIRM level (such as procurement, WITS and, for the meantime, FTS 2000), we recommend the language of USITC Directive 2103 be modified by Administration to convey a clear description of cost center responsibilities and where cost controls over utilization of usage-based services must be applied in all other departments using the service.

USITC should establish allocation procedures for variable communications costs to allow recognition of such costs at a departmental level. This process would provide improved management information on the source of communications services usage throughout USITC.

RESPONSE: AGREE

We agree that the language of USITC Directive 2103 could be modified to convey a clearer description of cost center responsibilities, and where additional cost controls over telecommunications must be applied. We also agree that a conveyance of communications costs to cost center managers by OIRM may provide improved management of these costs. This requirement (a conveyance of communications costs) could be accomplished in conjunction with execution of the Commission's FY 1994 budget.

TARGET COMPLETION DATE: December 31, 1993.

2. USITC should consider suballocating budget items.

USITC should consider suballocating cost center controls for usage-based costs to the department level. This process, we believe, would bring USITC into better compliance with Federal policies concerning certification of call detail reports. Suballocation would also provide better management information regarding the expected and actual volume of variable overhead used by specific offices, which may result in lower costs.

The Directive could be reworded to distinguish between authorization to 'acquire' or 'procure' services and

authorization to 'use' services. This would provide clear guidelines as to who is responsible for ensuring that the services obtained are used in a cost-effective manner.

RESPONSE: DISAGREE *

While we agree that some form of office-by-office conveyance of costs may be cost effective, we are not in agreement with an office-by-office allocation of telecommunications budgets. Telecommunications costs should be higher in areas where the workload is higher and lower in areas where the workload is lower. Since we cannot even project our workload with much accuracy, it may present a problem to project telecommunications costs by office. In addition, a majority of these costs do not usually vary with small office or program changes, and if allocated: (1) would move agency-wide savings from Commission control to cost center manager control; and (2) any savings in telecommunications costs may be less than the additional resources required to generate them.

Also, the use of calling cards are monitored by the Office of Information Resources Management who currently require certification of the charges from appropriate cost center managers on a monthly basis.

TARGET COMPLETION DATE: N/A.

RECOMMENDATION:

3-6. USITC should improve policies or employee guidance on relative costs and proper use of communications services.

RESPONSE: AGREE

The Office of Administration will revise the USITC Telephone Directory and Administrative Procedures Handbook to include information and guidance on charges for use of mail, delivery services, and telephones.

The Office of Operations (OIRM) will provide periodic bulletins on procedures and charges associated with the use of telephones, voice mail, fax machines, data transmission facilities and related services.

TARGET COMPLETION DATE: January 28, 1994

RECOMMENDATION:

7-8. USITC should reassess telephone lines and features.

RESPONSE: AGREE

* The Chairman modified this response as follows:

"Could informally consider the issue by conducting an assessment of the issues and presenting findings and recommendations, if any, including some form of office-by-office conveyance."

The Office of Information Resources Management will establish an automated inventory of telephone lines and line features. Procedures for maintaining the inventory and conducting periodic reviews of telephone lines and features will be established.

TARGET COMPLETION DATE: March 15, 1994

RECOMMENDATION:

9. Use of call detail reporting should be evaluated

RESPONSE: DISAGREE *

PROPOSED ACTION: None

As a result of the preliminary list of findings and recommendations provided April, 1993, the use of call detail reporting was evaluated while the audit was still in progress. Based on that review and information provided by Urbach Kahn & Werlin, call detail reporting is judged not to be cost effective for local calls. OIRM is currently performing call detail reporting and certification for both domestic and international long distance calls as part of their telecommunications cost center management responsibilities.

Urbach Kahn & Werlin indicate that the minimum hardware and software cost to establish any local call detail reporting capability is $3700. In addition, other costs would be incurred including training, OIRM staff time for operating the call detail system, and Office Director staff time for reviewing and certifying the call detail reports that Urbach Kahn & Werlin did not include in their findings and recommendations. The cost of a local telephone call is 6.5 cents. To recover the hardware and software investment, at least 56,000 local calls will have to be eliminated. For every hour that agency staff spend operating the call detail system, producing call detail reports, and certifying the results, another 400-500 local telephone calls will need to be eliminated to produce any savings. These ratios of costs to benefits indicate to OIRM staff that call detail reporting for local calls is not cost effective.

In addition, the call detail reporting system recommended by Urbach Kahn & Werlin can only work with telephones connected to Norstar KSU's. Therefore, it focuses on just a limited number of users and offices, primarily: Commissioner Offices, the General Counsel, Office of Unfair Imports, and the rest of the office directors and their immediate staff. It does not provide for any call detail reporting for other agency staff. As such, the proposed call detail reporting system is not a random sample, nor does it provide universal coverage. Since it can only identify selected staff, it is and could appear to agency staff as discriminatory.

* The Chairman modified this response as follows:

"Indicate action contemplated has been performed."

TARGET COMPLETION DATE: NOT APPLICABLE

RECOMMENDATION:

10. USITC Administration should re-evaluate its mailroom services contract.

RESPONSE: PARTIALLY AGREE

During the drafting stage of the audit report Administration had some rather in-depth discussions with UKW about the thrust of this recommendation. While we agree that the mailroom services contract should be reviewed for the types of services required of a contractor we disagree that contracting for mailroom services is not cost effective or efficient. We had several years of experience with trying to maintain a stable government employee workforce for the types of activities covered by the contract (i.e. mailclerks, laborers and driver) and found that since there is consistently high personnel turnover that we were frequently having to reduce services or press other people into temporary service to get the job done. The ITC has had a contractual arrangement since October 1, 1988 and it has worked very well because the contractor is obligated to have a full workforce at all times. The contract provides the capability to add more laborers on short notice for special jobs. A recent example was the need to set up three hearing rooms for the steel case on short notice. Even if authority were available to hire Federal employees to perform these activities Administration would make the case that contracting is the better approach. As for the "trust" factor mentioned in the audit it is noted that this observation was made by only one person.

Administration is assessing the new mailroom contact which will begin in FY 1994 in light of changes to metered mail and the possibility of changing mail deliver procedures in order to reduce the cost of the contract.

TARGET COMPLETION DATE: October 29, 1993 (estimated date for issuance of the Commission's FY 1994 Expenditure Plan).

RECOMMENDATION:

11. USITC should consider utilizing the minivan or sedan for deliveries.

RESPONSE: AGREE WITH COMMENTS

In so far as the Office of Management Services can utilize either vehicle without interfering with services to Presidential appointees or otherwise interfering with mission accomplishment, it will continue to do so.

However, a factor weighing against the practical utilization of the van or sedan for this purpose is the need for two persons to accompany it in most instances. That is, legal parking spaces around most pick up and delivery sites are at a premium, necessitating one person to "run" the package in or pick the package up while the other person stays with the vehicle and circles the block.

TARGET COMPLETION DATE: Complete

RECOMMENDATION:

12-13. Logs should be maintained at facsimile machines

RESPONSE: DISAGREE

PROPOSED ACTION: NONE

The major cost component of using a facsimile machine is the cost of the telephone call. Domestic and international long distance calls are already being tracked and certified. It is not cost effective to track and certify costs associated with local calls. The purpose of a facsimile machine is to facilitate communication, not generate additional bureaucracy. Urbach Kahn & Werlin has not demonstrated or described any real or potential benefit of having logs, other than the ability for the agency to then develop "log" processing procedures.

TARGET COMPLETION DATE: NOT APPLICABLE

RECOMMENDATION:

14. USITC personnel should use telephone calling cards while traveling on official business.

RESPONSE: AGREE

USITC Directive, No. 3402.1, Control and Usage of Government Owned or Provided Telecommunications Systems and Service, states that "While on travel, use of a calling card is mandatory except in emergency situations." For employee's safety, convenience, in instances where the Government calling card did not work, and with the thought of facilitating, not hindering the employee's mission, we have used our judgement to allow reasonable telephone charges on the hotel invoices. While we have questioned the non-use of a Government calling card we have not always documented it.

OFB will remind cost center managers of the requirement to use a Government calling card and we will assure proper documentation for all telephone costs on travel vouchers.

TARGET COMPLETION DATE: December 31, 1993.

RECOMMENDATION:

15. USITC should determine the whereabouts of all active temporary calling cards.

RESPONSE: AGREE

The twelve Sprint calling cards not added to the log book and not in the safe were found in a locked file cabinet. These additional calling cards were requested so that OFB could assure adequate availability when required by travelers (see requirement in recommendation #14 above). The number of calling cards on hand (Sprint & AT&T), in our opinion, are the minimum number required to properly service Commission travelers.

As stated above, the use of calling cards is monitored by the Office of Information Resources Management who require certification of the charges from appropriate cost center managers on a monthly basis. The Office of Finance and Budget will maintain a current listing of all calling cards issued by OFB, and will reconcile this list on a monthly basis.

The AT&T calling cards issued by OFB are not intended to be "temporary". In prior years it became apparent that by utilizing temporary calling cards we could not determine responsibility for the costs. We therefore secured additional AT&T calling cards, issue them permanently to travelers and DO NOT want them returned until the employee leave the Commission.

Sprint calling cards issued by OFB are intended to be "temporary". Permanent Sprint calling cards are issued by OIRM. OFB will establish procedures to assure that the temporary calling cards it issues are returned in a timely fashion.

TARGET COMPLETION DATE: December 31, 1993

RECOMMENDATION:

16. USITC should have an airbill, and authorized signature on the airbill, for all Federal Express deliveries.

RESPONSE: AGREE WITH COMMENT

In reality, the Office of Management Services (OMS) must balance the needs of its clients with the optimum of protection. In order to improve controls while maintaining user requirements, OMS will develop procedures for airbill or waybill vendors.

TARGET COMPLETION DATE: September 30, 1993

RECOMMENDATION:

17. OMS should redesign the vehicle log.

RESPONSE: AGREE WITH COMMENT

Statements made in the Cause and Effect sections, page 32 are incorrect. Documenting procedures are enforced. However, documenting the "purpose" of Commissioner trips is "transporting Commissioners" and the location and number of passengers, if any. Further information on the business purposes of a particular Commissioner's trip may be sought by the IG from the Commissioner. Vehicle use reports are reviewed by The Chief and Assistant Chief, Facilities Management Division and the Director, Office of Administration. In any case, OMS has made the following recommended changes:

1. The computerized vehicle log has been eliminated.

2. The manual trip log has been redesigned.

TARGET COMPLETION DATE: COMPLETE

OTHER MATTERS AND SUGGESTIONS:

L. USITC is not being properly charged by GSA for special phone line features.

OIRM agrees that GSA is not properly charging for special phone line features. In addition, as the audit report notes, GSA is expected to change from a fixed line-cost basis to a usage-based cost for FTS 2000 service. OIRM does not have sufficient information at the present time to project the overall impact of these GSA changes.

The proposed action is a combination of the proposed actions for items 1. and 7. above. Directive 2103, revised to assign responsibility for usage charges to users and their respective supervisors addresses the issue of conversion from line-based to usage-based charges. OIRM's use of the automated inventory as established in recommendation 7. and the procedures for periodic review will ensure telephone features and number of lines are maintained at optimal levels and thereby address costs associated with correct billing by GSA for line features. With increased cost center monitoring and a corresponding decrease in the overall number of lines and features in the inventory, the possibility exists that annual charges would remain at previous levels.

TARGET COMPLETION DATE : March 15, 1994

M. Mandatory postage metering will likely increase costs.

The Office of Management Services agrees that postage will likely increase. OMS has coordinated the issue of postage cost increases with senior management and the Office of Finance and Budget. Both have been made aware for several fiscal years that increases were highly likely, and they endorsed OMS' decision to save Commission funds in the interim.

In early FY 1993, OMS undertook a proactive review of the issue of accountability, including a review of the "OMAS" system.

OMS found that by capturing data at the point of metered postage application, which can be accomplished by acquiring the appropriate system; and by establishing appropriate contractor procedures, OMS can establish department accountability where needed (with little or no impact on the customer). This also allows the Commission to consider 3rd/4th Class Mail commingling.

OMS' study of the OMAS system found it to be impractical and unnecessary. The OMAS system requires that each Commission staff member handcode in a specific location on each mail piece a special discrete code. OMAS then captures the incidence of these codes and returns this data in set, non-manipulable format on a 15 inch tape reel (which cannot be read inhouse).

TARGET COMPLETION DATE: December 30, 1993

OMS will have an automated postage metering system with accountability capability in place prior to October 1, 1993.

N. USITC should use alternate vendors for its general courier services

TARGET COMPLETION DATE: N/A

OMS concurs with the need to reduce the costs of conveying materials to the maximum extent possible. Courier trips will be done by ITC driver/messenger where possible. Courier contracts will be combined, where appropriate.

O. USITC should evaluate alternatives for local overnight delivery and courier services.

OMS cannot develop a carrier specific policy for metropolitan area overnight package delivery service - nor can OMS override requestor's decision as to the expeditiousness of delivery required. OMS instructions to the Contractor (formalized and provided to requestors) is that the lowest cost means available which accomplishes the requirement is to be used. The carrier changes as the prices fluctuate and also based on weight, location and speed required. OMS agrees that the Commission

vehicle should be used when available. OMS will continue to consider 2nd day UPS or USPS where appropriate.

P. USITC should consider establishing a formal organization plan for communication services.

OIRM agrees the agency may benefit from having a more formal planning document for communications services. OIRM wil develop a telecommunications planning document similar to the sample outline provided by Urbach Kahn & Werlin but tailored more to the ITC's needs. OIRM views the sample as a menu of possible areas to be addressed and will select for inclusion in the planning document those topics most appropriate to the agency.

OIRM will develop and maintain a Telecommunications Plan that includes an overview, strategic plan, and operational guidance with a level of detail that fits the size and scope of agency telecommunications requirements.

OMS believes that there should be a specific "plan" for mail and courier services because of its fiscal and mission importance.

TARGET COMPLETION DATE: April 29, 1994