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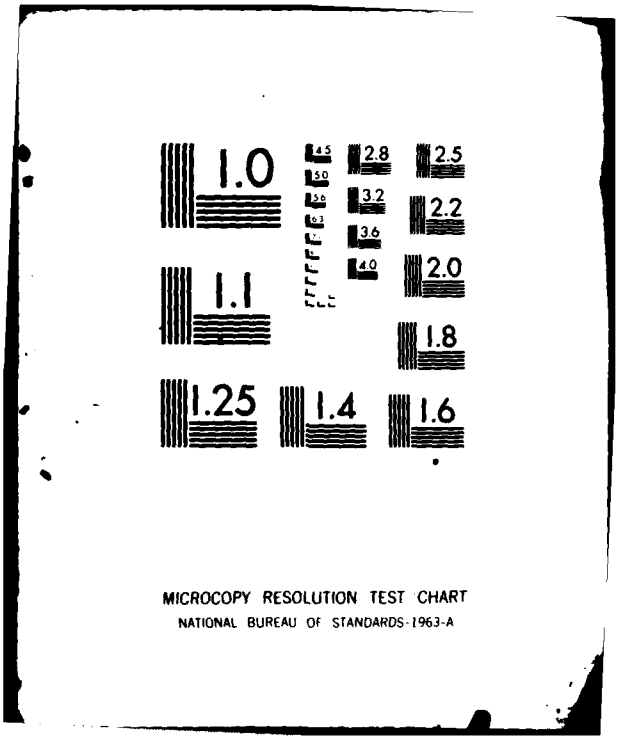
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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

MISSION ANALYSIS AND
SYSTEMS ACQUISITION DIVISION

B-202969

OCTOBER 22, 1981

The Honorable Gerald P. Carmen
Administrator of General Services

Dear Mr. Carmen:

Subject: Increased Federal Telecommunications System Use By Strengthened Control Over Commercial Toll Calls Could Reduce Costs (MASAD-82-4)

Commercial toll calls made by Federal employees through the Federal Telecommunications System (FTS) switchboard locations will result in an estimated $22.9 million in costs during fiscal year 1981. However, easy access to FTS makes it unnecessary to use commercial long-distance toll facilities to complete official calls. Our current review shows that the General Services Administration (GSA) needs to be more aggressive in preventing such unnecessary costs for long-distance calls.

Based on nationwide data, we estimate that $10.2 million, or 44.5 percent, of the commercial toll costs will be incurred by Federal employees from FTS telephones, either intentionally or out of ignorance, when the calls could have been placed over the FTS system at nominal additional cost to the Government.

This problem continues to escalate despite our previous effort to bring about corrective action. In our August 17, 1973, report (B-146864), we concluded that neither GSA nor the civil agencies contacted had active programs to ensure FTS was used instead of more expensive commercial toll services. Using a test basis, we determined that about 41 percent of the commercial toll costs could have been avoided. We recommended that GSA (1) identify circumstances under which commercial toll services were being used and (2) develop policies and programs to reduce Government costs by using FTS instead of commercial toll services.

Commercial toll costs have increased threefold since our earlier review--from $7.2 million in fiscal year 1972 to an estimated $22.9 million in fiscal year 1981. Although there was a 70-percent increase in the number of telephones during the same period, the costs--discounted for tariff increases--have increased at a higher rate.

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GSA's effort to control the use of commercial toll calls placed through FTS switchboard locations is not adequate. Although GSA's Headquarters has issued guidelines, its decentralized management philosophy allows the 11 regional offices to function autonomously with respect to controlling commercial toll costs associated with FTS switchboards. Some regional offices have taken such corrective actions as applying technology to either preclude commercial toll calls or reroute such calls over the FTS network. Other regional offices are hesitant to employ such methods, feeling that the FTS system is a service offered to Government agencies and should not be controlled by GSA. In their opinion, each agency is responsible for monitoring its employees' use of commercial toll services.

In our opinion, controlling the use of commercial toll calls will require direction from GSA Headquarters to ensure consistent nationwide application and exploitation of technological solutions. Some of these options have already been selectively adopted by some GSA regions with little or no adverse effect on system capability or administrative burden.

Accordingly, we recommend that you formulate and implement a program to electronically control commercial toll calls by all regional offices. Such programs should be applied wherever and whenever economically and technically feasible.

Enclosure I contains details which support the above conclusions and recommendations and describe the objectives, scope, and methodology used in performing this review. Enclosure II is a table showing Federal activities incurring $500,000 or more in commercial toll costs through FTS switchboards during fiscal year 1980.

GSA officials generally agreed with these findings, conclusions, and recommendations. GSA has started developing a program to directly assist the regions in taking advantage of the electronic means for controlling commercial toll calls.

This report contains recommendations to you on page 10. As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement of actions taken on our recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Operations not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report. We would appreciate receiving a copy of your statement when it is provided to the congressional committees.

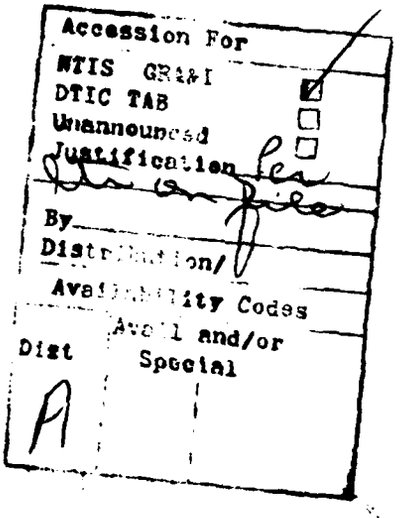
Copies of this report are being sent to the chairmen, House Committees on Appropriations and Government Operations and the

Senate Committees on Appropriations and Governmental Affairs, and to the Director, Office of Management and Budget.

Sincerely yours,

W. H. Shelley, Jr.
Director

Enclosures - 2



INCREASED FEDERAL TELECOMMUNICATIONS USE BY STRENGTHENED CONTROL OVER COMMERCIAL TOLL CALLS COULD REDUCE COSTS

OBJECTIVES, SCOPE, AND METHODOLOGY

We performed this review to determine the General Services Administration's (GSA's) progress in controlling commercial toll costs since our 1973 report 1/, concerning the same subject, and to identify further management actions that could strengthen controls over toll calls. Such review was deemed appropriate at this time because (1) technological methods to control and reduce commercial toll calls have evolved to a high degree of effectiveness in recent years, (2) other prior reviews indicated an escalation in the total costs for commercial toll calls, (3) preliminary information indicated that GSA had not consistently applied technology to effect toll call reduction, and (4) requests, which were granted during our review, for higher interstate rates had been filed with the Federal Communications Commission.

We interviewed Federal Telecommunications System (FTS) management officials at GSA's Headquarters in Washington, D.C., and in each of the 11 GSA regional offices to obtain their perspectives on the issue of commercial toll cost management. Regional office officials provided documentation of their past accomplishments and future plans to reduce toll costs.

Using the FTS nationwide commercial toll billings for December 1980, we requested GSA computer tapes containing details of all FTS system toll calls in the four highest dollar cost regions. The data was then stratified by each FTS switchboard in the four regions. Ultimately, two switchboards in the Atlanta region were selected for detailed analyses. An itemized listing of every toll call either placed through or charged to these two switchboards for the billing month of December 1980 was then produced. We converted commercial telephone exchanges to corresponding FTS exchanges to determine if the toll calls were made from or to an FTS telephone.

BACKGROUND

FTS was established in 1963 to satisfy voice, record, and data communications requirements of Federal civil agencies. GSA is responsible for operating and managing the system. The system has grown to become the largest private line telephone system in the country. It incorporates over 1 million Federal agency telephones and provides service to more than 130 Federal agencies and commissions in the 50 States, the Virgin Islands, and Puerto Rico.

1/B-146864, August 17, 1973.

ENCLOSURE I

Access to FTS makes it unnecessary to use commercial long-distance toll facilities to complete official calls. Federal Property Management Regulation (101-37) and the Office of Management and Budget's Bulletin No. 79-12 prescribe that Federal agencies use FTS whenever practical to reduce long-distance toll calls. The system should be used for all official long-distance calls for which the commercial charge would be more than 50 cents for the first 3 minutes.

Federal employees in the Washington, D.C., area on the FTS system can use it to reach any telephone number within the contiguous 48 States. Other Federal employees in the contiguous 48 States served by FTS can directly dial about 60 percent of all commercial telephone numbers in the 48 States over the FTS. The remaining 40 percent can also be reached over FTS by connections through FTS operators.

Commercial toll costs are billed directly to the telephone number of the agency where the calls are either placed from or charged to. Enclosure II shows Federal activities incurring $500,000 or more in tolls on the FTS system during fiscal year 1980.

Prior report and current statistics

In our 1973 report, we concluded that neither GSA nor the civil agencies contacted had active programs to ensure FTS was used instead of more expensive commercial toll services. Using a test basis, we determined that about 41 percent of the commercial toll costs could have been avoided.

This current examination of nationwide commercial toll costs for November and December of 1980 revealed that the direct distance dial (DDD) calls, which represent 44.5 percent of the total commercial toll costs, could have been avoided.

The following table shows the composition of the fiscal year 1981 commercial toll data we analyzed.

ENCLOSURE I

Toll call catagory	Nov.-Dec. 1980 average	Projected FY 1981 annual costs
	(percent)	(millions)
1. DDD 50 cents (note a)	5.0	$ 1.15
2. DDD (note b)	44.5	10.20
3. Credit card	10.7	2.45
4. Third party	14.6	3.34
5. Collect	7.3	1.66
6. International	16.9	3.88
7. All other	1.0	.22
Total	100.0	$22.90

a/These are DDD calls for which the first 3-minute charges were less than 50 cents and per GSA instructions, should be direct dialed.

b/These are DDD calls for which the first 3-minute charges were more than 50 cents.

The DDD calls in category 2 should have and could have been made via FTS at nominal additional cost to the Government. Also, an uncertain portion of the calls in categories 3 and 4 could have and should have been made via FTS. We verified these assumptions by a detailed analyses of toll calls at two selected FTS switchboards.

ANALYSIS OF COMMERCIAL TOLLS AT TWO FTS SWITCHBOARDS

Detailed analyses of 5,587 toll calls placed through or charged to 2 FTS switchboards in Atlanta, Georgia, during December 1980 showed that 100 percent of the DDD calls (2,878) could have and should have been placed over the FTS network at no additional cost to the Government.

About 40 percent of the DDD calls were placed from FTS telephones to commercial telephones in areas where the caller did not have to go through the FTS operator. The same was true of the other 60 percent of the DDD calls, but the caller had to dial the appropriate FTS operator for connection to the commercial number.

GSA HEADQUARTERS' PROGRAMS TO REDUCE TOLLS

In our 1973 report, we recommended that GSA (1) identify circumstances under which commercial toll services were being used and (2) develop policies and programs to reduce Government costs by using FTS instead of commercial toll services.

In response to our recommendations, GSA Headquarters instructed regional offices to review and analyze toll costs and to provide counseling and training to FTS users who incurred excessive commercial toll costs. Regional office officials said this approach was less than successful because of (1) user agency employee turnover, (2) user agency attitudes, for example, "it is our money and we will manage it," (3) the convenience of dialing direct compared to using FTS operators to connect commercial numbers, (4) poor attendance at user training sessions, and (5) toll analysis and training placing inordinate demands on the GSA regional office staff resources.

In 1978 concern over the ever-increasing commercial toll costs associated with FTS switchboards prompted GSA Headquarters officials to announce a new toll reduction program. Headquarters suggested that regional offices

--review monthly toll bills and inform agency senior management officials of the cost of the commercial toll calls which could have been made via FTS,

--emphasize commercial toll reduction during user training sessions and concentrate training effort on known heavy toll users,

--solicit the support and cooperation of the Federal executive boards to publicize the cost effect of commercial tolls among Federal employees, and

--investigate the economic feasibilities of restricting access to the commercial toll network (DDD) at individual locations.

Some regional offices intensified user training activities and began to investigate the economic feasibility of restricting FTS user access to the commercial toll network. GSA Headquarters also set a goal of a $3 average monthly toll cost per FTS telephone by the end of fiscal year 1982.

In 1979 a commercial toll management task force was formed to evaluate the issue of commercial toll management and determine what GSA Headquarters' role should be in the commercial toll management effort. The task group evaluated the three alternatives listed below.

--Let headquarters assume responsibility for direction, policy, and continued implementation of the commercial toll and management program.

--Allow the regions the choice of pursuing commercial toll management with little or no headquarters' oversight, assistance, or participation.

--Continue the regional commercial toll management efforts while headquarters establishes regional goals, provides assistance, and reviews regional program results.

The task force group recommended adopting the third alternative which, in effect, was the policy already being followed.

Although GSA Headquarters has issued guidelines, its decentralized management philosophy allows the 11 regional offices to function autonomously with respect to controlling commercial toll costs. As a result, some regional offices have adopted an active management role which has produced quantifiable results. Other regional offices have adopted a passive management style producing less definitive results, as discussed in the following section.

GSA REGIONAL OFFICE EFFORTS TO REDUCE TOLL COSTS

The type of toll reduction management techniques employed by a regional office is dependent upon the staff resources available and the management philosophy employed.

Two management styles existed in the regional offices. In one style, some regional offices considered their role as providing a service to other Government agencies. In their opinion, each agency is responsible for monitoring its employees' use of commercial toll services. The questionable success of relying on agencies to control commercial toll services obtained through the FTS switchboards is reflected in the steady escalation of these costs over the years. For example, there has been about a $1.23 million average annual increase from fiscal year 1978 through fiscal year 1981. However, during fiscal year 1981 the increase was less than $200,000.

In the other style, other regional offices felt that aggressive and innovative management was needed. They emphasized using electronic or mechanical devices to restrict FTS user access to the commercial toll network where feasible. Adopting technological means to restrict users from using commercial toll service is producing measurable effects.

Electronically controlled access programs implemented by regional offices

In 1977 the Kansas City region installed a sophisticated, yet inexpensive, "least cost routing" device at its Topeka, Kansas, system which effectively restricts all Federal employees from dialing the commercial long-distance network. A special code that bypasses the device is provided to agency supervisory employees to allow placement of commercial toll calls for emergency purposes. The same device was later installed on the Kansas City, Missouri, system, and the region made plans to use the device where

feasible at other FTS switchboard locations to achieve similar control over toll calls.

In 1979 the Philadelphia region implemented a mechanical toll restriction program on the FTS switchboard in the Philadelphia metropolitan area. The program won the support of the Philadelphia Federal executive board and the Federal agencies. As a result of the program, 90 percent of the FTS telephones in the Philadelphia metropolitan area were automatically restricted from the dialing of the commercial long-distance network, thereby forcing agency employees to use the FTS more effectively. The other 10 percent of the stations were exempted from the program on the basis of operational necessities such as law enforcement duties and judicial and court-related requirements. The program resulted in a cost savings of $25,000 per month, or $300,000 per year. The region announced that the toll restriction program would be expanded to the Harrisburg, Wilkes-Barre, and Pittsburgh areas with total estimated annual reduction in commercial tolls of about $192,000.

In May 1980 the Atlanta region successfully toll restricted the FTS switchboard in Savannah, Georgia. Only 2 percent of the telephones were exempted from restriction because of critical operational requirements. One agency praised the program for saving much of the agency's administrative time since it no longer has to track down the employees who made commercial toll calls. Three systems--Jacksonville, Florida; Mobile, Alabama; and Savannah, Georgia--were recently restricted, and the region is also working toward expanding the program to other locations.

Several other regions have or will soon adopt least-cost or flexible-routing schemes to direct some intentionally dialed commercial toll calls to the FTS network. Projected annual savings from this technique in the Chicago and San Francisco regions total over $300,000.

CONCLUSIONS AND RECOMMENDATIONS

The degree by which agency counseling and training has controlled the growth of commercial toll costs associated with FTS switchboards cannot be assessed. However, it is apparent that the amount of toll calls dialed directly from FTS telephones to commercial numbers has continued to increase since 1972.

GSA's decentralized management of the FTS system has led to inconsistent application of technical methods to control commercial toll calls. Some GSA regional offices use technology to accomplish what persuasion has failed to do--intentionally dialed toll calls are either blocked or rerouted over the FTS network. However, other regional offices are hesitant to employ such methods, feeling that the FTS system is a service offered to Government agencies. In their opinion, these agencies are responsible for monitoring improper use of the system by its employees.

ENCLOSURE I

In our opinion, control over the use of commercial toll calls will require a program established and directed by GSA Headquarters to ensure consistent nationwide application and exploitation of all technological options.

Accordingly, we recommend that the Administrator of General Services formulate and implement a commercial toll restriction program to electronically control commercial control calls by all regional offices. Such programs should be applied wherever and whenever economically and technically feasible.

AGENCY COMMENTS

We requested oral comments on our report, which were provided by GSA management officials. They generally agreed with our findings, conclusions, and recommendations. Some clarifications were suggested and incorporated into this report.

Agency officials stated that the Commissioner, Automated Data and Telecommunications Service, recently directed that teams--comprised of headquarters and regional personnel--be formed to directly assist regions to take advantage of the electronic means for controlling commercial toll calls. A formal plan is being developed.

ENCLOSURE II

FTS USER-INCURRED COMMERCIAL LONG-DISTANCE TOLLS OF $500,000 OR MORE DURING FISCAL YEAR 1980 (note a)

Department/agency	Amount
Department of Health and Human Services	$2,230,100
Department of Agriculture	2,109,500
Department of the Treasury	1,560,000
Department of Justice	1,361,600
Department of State	1,626,200
Department of the Navy	1,264,000
Department of Transportation	1,233,800
Department of the Interior	1,247,300
Department of Commerce	1,233,000
Department of Labor	875,300
Postal Service	567,800
Corps of Engineers (Civil)	526,700
Department of Housing and Urban Development	512,800

a/In some instances, the FTS commercial toll costs shown are only a minor portion of the annual commercial toll costs incurred by the listed departments/agencies. In particular cases, the annual commercial tolls incurred on department/agency-operated telephone systems, not a part of the FTS network, are 10 times greater than shown above. For example, the Department of the Navy incurred an additional $14.6 million in commercial tolls during fiscal year 1980.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