

June 29, 1999

RICHARD D. WEIRICH
VICE PRESIDENT, INFORMATION SYSTEMS

SUBJECT: Review of Wireless Communication
Equipment and Services, Management
Advisory Report (DS-MA-99-005)

This management advisory report highlights the results of our review of wireless communication equipment and services¹ within the United States Postal Service (USPS) (Project Number 99PC001DS000). Since January 1998, members of the Office of Inspector General (OIG) staff have been advising members of your staff on wireless communication support services. During the course of this work, we observed potential opportunities for improved efficiencies in wireless communication services. Accordingly, we initiated an evaluation of management controls for USPS wireless communication equipment and services.

Results in Brief

Opportunities exist to enhance management controls over wireless communication equipment and services. We noted control weaknesses in multiple contract and provider procurements, administration and oversight responsibilities, non-official business use reimbursements, various purchasing and issuing methods, and accounting for wireless communication expenses. We suggest that USPS-wide policies and procedures be developed and disseminated, and that all wireless communication equipment and services be coordinated through USPS telecommunications specialists.

Objective, Scope and Methodology

Our objective was to determine whether management controls for wireless communication equipment and services were adequate. In

¹ We reviewed wireless communication services for mobile telephones and pagers.

conducting our review, we visited 13 sites², interviewed appropriate personnel³, reviewed USPS policies⁴ and service contracts. Our review was conducted between December 1998 through February 1999, using the President's Council on Integrity and Efficiency Quality Standards for Inspections.

Background

Currently, the administration of wireless communication equipment and services in the USPS is decentralized. Each postal facility (stations, branches, processing and distribution installations, area offices, and district offices) determines its individual business requirements for wireless communication. In most cases, telecommunication specialists, Information Systems Division, are responsible for contract administration for these services at district offices.

Observations

Opportunities exist to enhance management controls over wireless communication equipment and services. We noted control weaknesses in the following areas:

- Contract and provider procurements.
- Administration and oversight responsibilities.
- Reimbursements for non-official business use.
- Various purchasing and issuing methods.
- Accounting for wireless communication expenses.

While USPS officials at the sites visited developed local policies and procedures, establishing uniform corporate-wide policies and procedures will help ensure that adequate controls are in place to

² Cleveland, Ohio; Erie, Pennsylvania; Bellmawr, New Jersey; Edison, New Jersey; Newark, New Jersey; Baltimore, Maryland; Hartford, Connecticut; Springfield, Massachusetts; Providence, Rhode Island; Long Beach, California; Los Angeles, California; Santa Ana, California; and San Diego, California.

³ We interviewed USPS Telecommunication Specialists, USPS Finance Managers, other pertinent USPS staff, Government Agencies, Federal Wireless Telecommunications Services, and Private Sector companies.

⁴ USPS policies reviewed included Handbook F-1, Administrative Support Manual, and Management Instructions.

manage wireless communication equipment and services.

**Contract and Provider
Procurements**

Services for wireless communication were procured using multiple contracts and providers without examining the possibility of leveraging the volume of business with suppliers. Specifically, there were no established guidelines for identifying business requirements nor performing cost benefits or competitive analyses for wireless communications. For example, at five sites officials procured identical services from multiple carriers. Also, officials at different postal facilities within the same geographical area maintained individual accounts⁵ with the same carrier.

However, it should be noted that even though USPS officials used various methods to select carriers at the thirteen sites reviewed, in general, they did obtain the lowest geographical rates⁶ for wireless communications in their area. We compared the vendor contract costs for the sites we visited to the Federal Wireless Telecommunications Services contract⁷ costs for the same geographical area. In comparison, only two of the contracts reviewed would have been less expensive using the Federal Wireless Telecommunications Service contract. However, using a national or area wide vendor contract may result in overall lower wireless communication expenses since duplicative administrative cost would be eliminated as experienced in multiple contracts.

**Administration and
Oversight
Responsibilities**

Administration and oversight responsibilities were neither clearly defined nor assigned for managing wireless communication equipment and services. For example, the USPS Telecommunication Specialist, Standard Position Description, September 17, 1992, requires Telecommunications Specialists to oversee and verify the certification of monthly billings, and prepare analyses and reports for management review. However, at four of the

⁵ These contracts were not included in our review.

⁶ This is based upon current contracts and carrier price quotes provided by officials at sites visited.

⁷ This federal contract provides wireless communication equipment and services to Federal and other government agencies. This contract also eliminates the administrative cost for procuring wireless communication services.

thirteen sites reviewed, there was no evidence that the telecommunications specialists reviewed the monthly bills.

Additionally, telecommunications specialists at each site visited did not consistently prepare analyses nor did they include local and district postal facilities when analyzing and monitoring costs for equipment and services in their geographical area. As a result, the analyses did not provide an accurate cost representation of all expenses associated with wireless communication for the entire geographical area.

Furthermore, limited management oversight or reviews had been conducted at only three⁸ of the thirteen sites we reviewed. Specifically, in January 1997, an Area Finance Manager performed a study of the three sites to determine costs and number of devices used. The results of this study and suggestions for improvement were forwarded to the Area Vice President; however, none of the recommendations were implemented.

**Non-Official Business
Use Reimbursements**

While managers permitted non-official business use of mobile telephones, they did not track and monitor reimbursements made for non-official use. Even though local policies and procedures for reviewing mobile telephone bills for non-official use and reimbursement existed, the policies and procedures were not consistently enforced at all the sites visited. For example, at one site visited, the telecommunications specialist sent out letters attached to mobile telephone bills to users every month instructing the users to review the telephone bills and reimburse for non-official calls. However, the specialist had no follow-up system in place to ensure that the bills were reviewed and necessary reimbursements were made.

**Various Purchasing and
Issuing Methods**

USPS officials used various methods to purchase wireless communication equipment and services. Some telecommunications specialists made bulk purchases of equipment with related services using PS Form 7381, Requisition for Supplies, Services, or

⁸ These sites were included in an independent review of the Northeast Area.

Equipment. While bulk purchases of wireless communication equipment and services were authorized, issuance to individual users was not usually documented to substantiate approval or justification. We found only one site where individual issuance was justified and approved and the equipment was transferred to the user via a PS Form 1590, Supplies and Equipment Receipt.

In addition, at eight of thirteen sites a PS Form 7381 was used for individual purchases. However, they did not always include complete information. For example, appropriate approval from management was not documented and a non-descriptive rationale (adequate justification) was not provided or was limited. Therefore, we could not determine if individual purchases were authorized or approved. Furthermore, at the remaining sites reviewed, no documentation existed to support wireless communication equipment and service purchase requests.

Accounting for Wireless
Communication
Expenses

USPS has not established a segregated account for wireless communication expenses. In our effort to determine wireless communication expenses, we found that wireless communication expenses were reported in at least five general ledger account numbers:

- 54165 – Building Occupancy
(Utilities – Telephone Services)
- 54406 – Equipment Rental Other than Vehicles
(Telecommunication Equipment)
- 52109 – Supplies and Expendable Equipment
(Telecommunication Supplies)
- 54411 – Equipment Rental Other than Vehicles
(Equipment Rental – Other)
- 52418 – Other Services
(Miscellaneous Services)

It should be noted that these account numbers were reviewed to extract only those costs from vendors

providing equipment or services for wireless communication. The table below reflects wireless communication expenses we were able to identify for Fiscal Years (FY) 1996-1998.

General Ledger Account Numbers

Account	FY 1996	FY 1997	FY 1998
54165	\$4,533,384	\$ 6,402,467	\$ 9,361,910
54406	403,223	178,353	319,052
52109	93,149	81,754	191,151
54411	194,195	296,037	291,158
52418	159,099	34,394	45,996
TOTAL	\$ 5,383,050	\$ 6,993,005	\$10,209,267

As the table illustrates, there was a 30 percent increase in costs from FY 1996 to FY 1997 and a 46 percent increase in costs from FY 1997 to FY98. However, this may not include all wireless communication expenses. During our review, we learned the five account numbers listed above were the account numbers most often used; yet, several USPS officials interviewed stated that expenses may be reported in other accounts. By establishing a segregated account number for wireless communication expenses, management will have a means of monitoring costs and information necessary for investment decisions.

Best Practices

During our review, we identified numerous best practices within USPS by which wireless communication equipment and services are managed. Most notable were:

- Conducting market research studies to select the most feasible and economical plan available in the area;
- Exploring alternative options based on users' overall requirements and needs (usage or services);
- Asking current providers to match competitors' rates currently being offered in geographical areas;

- Obtaining geographical or statewide contracts offering volume discounts and consolidated telephone accounts and bills;
- Taking advantage of bundled equipment package discounts⁹;
- Having vendors provide usage analysis;
- Using one vendor for telephone equipment allowing batteries and chargers to be interchangeable with different models;
- Documenting issuance, including authorization and justification, to individual users on PS Forms 1590; and
- Requiring users to verify phone bills within a predetermined time frame or have service suspended.

Suggestions

We suggest the Vice President, Information Systems:

1. Direct the Manager of Wireless Technology to develop and disseminate USPS corporate policies and procedures to manage wireless communication equipment and services. The policies and procedures should address management controls to
 - a) Examine the possibility of leveraging the volume of business with vendors in order to obtain the most cost-effective rates.
 - b) Designate responsible officials for managing wireless communication equipment and services and define the officials' duties and responsibilities.
 - c) Develop procedures for tracking and monitoring reimbursements for non-official use of mobile telephones.

⁹ These packages provide extra accessories (batteries and car charger) and reduced rates for quantity equipment purchases.

- d) Develop standard purchasing and issuing methods for wireless communications equipment and services to include documenting approvals and justifications.
2. Request the Vice President, Finance, Controller establish a segregated account to track and accumulate wireless communication expenses.

**Management
Responses**

The Vice President of Information Systems agreed with our observations and suggestions. Information Systems managers are currently drafting a management instruction that will address policies and procedures to manage wireless communication equipment and services and developing a national procurement process for cellular services. A separate account number has been established for tracking wireless services. Management's verbatim responses are contained in the Appendix.

**Evaluation of
Management
Responses**

Management's actions planned and taken to suggestions 1 and 2 are responsive to our concerns and should enhance the wireless communication process. We will review and comment on the draft management instruction to ensure our concerns have been sufficiently addressed.

We appreciated the cooperation and courtesies provided by our staff during the review. If you have any questions, please contact me at (703) 248-2300.

//Signed//

Colleen A. McAntee
Assistant Inspector General
for Performance

cc: Alan B. Kiel
John R. Gunnels

Major Contributors to this Report:





April 8, 1999

COLLEEN MCANTEE

SUBJECT: Receipt of Draft Management Advisory Report DSMA9900X
Review of Wireless Communication Equipment and Services)
(Project 99PC001DS000)

This office has received and reviewed the draft Management Advisory Report identified above. Other than those items discussed with your staff on the conference call of April 2, we have no additional recommendations for deletion or inclusion in your report.

Information Systems will be drafting policy that will include most of the recommendations highlighted in the report, and will publish the final version as a Management Instruction in the near future. Your office will be provided an advance copy for review and comment.

Please continue to work with Tim Patterson as the Information Systems representative for this effort.

A handwritten signature in black ink, appearing to be "Tim Patterson", with a horizontal line extending to the right.

cc: Tim Patterson
Alan B. Kiel
John R. Gunnels

**Review of Wireless Communication
Equipment and Services**

DS-MA-99-005

From: LARRY WILLS [LWILLS@email.usps.gov]
Sent: Monday, June 07, 1999 5:11 PM
To: dpettiff
Cc: RICHARD WEIRICH; JOHN GOLDEN
Subject: Cellular Plan

W

cellul-l.doc

Debbie

Attached is the high level plan concerning our efforts to move forward with a National contract for wireless services. The first three tasks have been completed and we are on track to deliver a contract vehicle around the end of the FY.

We have also secured separate account numbers to allow the tracking of wireless services.

They are as follows

Cellular Phone service	54161.000
Wireless Paging and Data	54162.000
Combined Voice Paging and Data Services	54163.000

Forward Header

Subject: Cellular Plan
Author: JAMES WHITNER at RANCO09L
Date: 6/7/99 11:24 AM

Here is the original

----- Forwarded with Changes -----

From: JAMES WHITNER
Date: 6/7/99 11:24AM
To: LARRY K WILLS
Subject: Cellular Plan

Cellular Service Procurement

This purpose of this procurement will be to provide the U.S. Postal Service with an ordering agreement for Cellular phones, equipment, and services for postal organizations nationwide. This procurement will be developed to allow the cellular service providers in the industry to prepare and offer proposals that address all Postal Service requirements.

From these proposals the top 2-4 proposals will be selected and included in a Basic Ordering Agreement. As no one vendor presently can supply total digital service nationwide the rationale for having 2-4 vendors to select from allows Postal organizations the ability to select the provider that best satisfies their specific requirements.

We have outlined a draft plan and timeline to have this procurement in place and available for postal use.

1. Begin data gathering from Postal organizations of cellular requirements and projected quantities 5/14.
2. Create first draft of SOW for USPS cellular requirements 5/28.
3. Meeting with Procurement to discuss SOW and procurement process 6/1.
4. Publish RFC for Cellular service in CBD 6/18.
5. Review vendor comments and revise SOW if required 6/25.
6. Advertise SOW as RFP in CBD 7/6.
7. Proposals due from vendors by 8/3.
8. Review and selection of vendors 8/30.
9. Award of contract 9/13.