



The Library of Congress
Office of the Inspector General



Information Technology Services

*The Library Should Explore Alternative
Long-Distance Telephone Service Providers*

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▶▶ EXECUTIVE SUMMARY

For about the past three years, the Library of Congress has obtained most of its long distance telephone services through a contract the Architect of the Capitol (AOC) has with Verizon Business Services.¹ The Library is one of six legislative branch agencies that purchases long distance services through the AOC contract and the contract's services the Library obtains are for domestic and international long distance calls. By obtaining its telephone services this way, the Library believes that it minimizes administrative costs and takes advantage of the contract's economies of scale.

We recently completed an audit of the Library's arrangement with the AOC for obtaining long distance telephone services. Our objectives were to determine whether the AOC contract provides the Library the best value for its long distance telephone services and whether the Library had satisfactory controls for reviewing and approving payments for the long distance telephone bills it received.

We determined that the AOC contract may not provide the Library the best value for its long distance telephone services. Data we obtained on other alternatives indicated that the rates included in the AOC contract for international calls were generally higher than the international call rates which are available from alternative service providers. For example, the rate per minute for a call to Belgium through the AOC contract is about three times the rate that is available through the General Services Administration's service provider.

We also determined that the Library had effectively no controls in place for reviewing and approving payments for the long distance telephone bills. Specifically, formal, written procedures were not in place to guide and control the bill review and payment approval process and the automated system the Library uses to account for telephone calls could not reconcile the number of calls made with the number of calls for which the Library was billed.

¹ The contract service provider is MCI Communications Services, Inc. d/b/a Verizon Business Services.

We recommended that the Library compare the cost of obtaining long distance telephone service through the AOC contract with the cost of obtaining that service from alternative service providers and switch to an alternative service provider if doing so would provide the best value to the Library. We also recommended that the Library develop and implement formal, written procedures to guide and control the long distance bill review and payment approval process and acquire a new automated system to provide more effective accounting for the Library's telephone calls.

ITS management generally concurs with our findings. It agrees that it should negotiate international rates, and generally agrees that the current invoice review process needs to be included as part of its standard operating procedures. ITS does not agree with our recommendation to explore acquiring a new automated telephone call tracking system, and states that the system is up to date and functions as designed. ITS' response is included as appendix B.

▶▶ INTRODUCTION

The Library of Congress is one of six legislative branch agencies that purchases long distance telephone services through a contract the Architect of the Capitol (AOC) has with Verizon Business Services². The Library has obtained most of its long distance telephone services through the AOC contract for about the past three years. By obtaining its telephone services this way, the Library believes it minimizes administrative costs and takes advantage of the contract's economies of scale. The Library's long distance telephone service cost approximately \$88,000 in fiscal year (FY) 2007.



Source: ITS web site.

This report presents the results of our review of the Library's use of the AOC contract for long distance telephone service. Our review focused on the long distance service rates included in the contract and the Library's procedures for reviewing the long distance telephone bills it receives.

The Information Technology Services (ITS) division of the Library of Congress' Office of Strategic Initiatives is responsible for the Library's voice and data telecommunications services. The Technical Facilities and Services (TFAS) division of ITS is responsible for the administration of the Library's telephone bills, including reviewing and allocating the bills to Library offices.

² The contract service provider is MCI Communications Services, Inc. d/b/a Verizon Business Services.

►► OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of our audit were to determine whether (a) the AOC contract provides the Library the best value for its long distance telephone services and (b) ITS had satisfactory controls for reviewing and approving payments for the long distance telephone bills it received. Our review did not assess the full cost of the Library's telephone services. It was limited to the long distance service that the Library obtains through the AOC contract. To accomplish our objectives, we:

- reviewed the AOC telephone contract;
- compared the contract's long distance rates to corresponding rates available from alternative service providers;
- interviewed Library personnel (ITS and Contracts staff); and U. S. General Services Administration (GSA) personnel involved with FTS2001/Networx;
- statistically sampled³ the Library's November 2007 MCI/Verizon telephone bill from MCI Communications Services, Inc./Verizon, the AOC contract vendor; and
- reviewed each transaction in our sample to determine if MCI had billed at the contracted rate for the Library's telephone calls.

We performed our audit fieldwork from November 2007 through January 2008. We conducted the audit in accordance with Government Auditing Standards issued by the Comptroller General of the United States and Library of Congress Regulation (LCR) 211 6, *Functions, Authority, and Responsibility of the Inspector General*, dated December 4, 2006.

³ We used the Defense Contract Audit Agency's EZ Quant Stat Sampling Program to generate the appropriate sample size. We applied a 90% confidence level with a 5% presumed universe error rate. Our universe was 14,040 items and sample size was 60 items.

►► FINDINGS AND RECOMMENDATIONS

We determined that the AOC contract may not provide the Library the best value for its international long distance telephone requirements and that the Library should explore international long distance rates of other telecommunications providers. The domestic contract rate for long distance service appeared to be in line with other service providers. We also determined that ITS had effectively no controls in place for reviewing and approving payments for the Library's long distance telephone bills. Our detailed findings and recommendations follow:

I. ITS Should Explore Other Long-Distance Options

Over the last few decades, the long distance market has successfully transformed from a monopoly to a competitive market. Such competition has made lower prices available for long distance telephone service.

Because they appeared to be out of line with current rates available in the long distance market, we questioned the international long distance rates that are included in the AOC contract that the Library uses. Accordingly, we compared the contract's long distance rates with rates available from GSA's telecommunications contract and two other long distance telephone service providers. In each case, the rates in the AOC contract were much higher for international long distance service.

A. GSA FTS2001/Networx Contract

GSA assists federal agencies in meeting their voice and data service requirements through the Federal Telecommunications Systems (FTS2001/Networx) contract.⁴ The contract provides consolidated telecommunications capability.

⁴ Sometime in 2009, GSA will replace FTS2001 with Networx. The Networx program serves as the primary replacement for the expiring FTS2001 and FTS2001 crossover contracts and federal wireless contracts.

Because the FTS2001/Networx contract includes the Library's current long distance provider among its telecommunications providers, economies of scale may be available to the Library through the GSA contract.

We compared long distance service rates of the FTS2001/Networx contract to the service rates currently available through the AOC contract for a random selection of overseas locations to determine which alternative could provide the best value to the Library. Details of this comparison are summarized in the following table.

Calls To	Library Rates	Networx Rates	Percentage Difference
Albania	\$.7737	\$.31726	59%
Belgium	\$.3244	\$.10313	68%
Czech Republic	\$.4971	\$.21775	56%
China	\$.6040	\$.45838	24%
Greenland	\$.4510	\$.23915	47%
Russia	\$.6660	\$.40125	40%
Morocco	\$.6955	\$ 1.0464	(50%)
Canada	\$.0870	\$.06109	30%
Philippines	\$.4900	\$.32849	33%
Brazil	\$.3927	\$.29850	24%

As shown, the rates for all but one of the selected locations – Morocco – were lower than the rates of the AOC contract the Library uses.

ITS and the Library's contracting office are both aware of the FTS2001/Networx contract. A representative of the contracting office stated that the office is in contact with GSA's Technology Department and is evaluating the cost, including the GSA administrative fee, of switching to the GSA contract.

B. Other Long-Distance Providers

We also compared the long distance service rates of the AOC contract rates to two providers of international long distance telephone service – PowerNet Global and AT&T. We found that the rates available from these companies were generally lower than those included in the AOC contract. Our comparison of all the international calling rates indicated that

98% of PowerNet and 63% of AT&T rates were lower than the AOC contract rates. Accordingly, it would be in the Library's best interest to evaluate the total costs of these and other long distance service providers.

Recommendation

We recommend that ITS compare the cost of obtaining long distance telephone service through the AOC contract with the cost of obtaining that service from alternative service providers and switch to an alternative service provider if doing so would provide the best value to the Library.

ITS Response

ITS agrees that lower international long distance rates should be negotiated but believes the current domestic long distance rates are competitive.

II. ITS Needs to Improve Internal Controls over Telephone Billings

Internal controls serve as the first line of defense in: 1) safeguarding assets; 2) preventing and detecting errors and fraud; and 3) the effective and efficient use of an agency's resources. Internal controls need to be documented and readily available for examination.⁵

In a typical month, the Library's long distance telephone bill includes over 13,000 lines and a multitude of long distance rates. Accordingly, the Library must have effective internal controls in place to ensure any errors in its telephone bills are identified and addressed before the bills are paid.

Notwithstanding their fundamental need, ITS had effectively no internal controls in place for reviewing and approving payments for the long distance telephone bills. Although ITS personnel who are in charge of reviewing and administering telephone bills are committed to their duties, we found that ITS did not have formal, written procedures to guide and

⁵ Government Accountability Office (GAO), *Standards for Internal Controls in the Federal Government*, issued November 1999.

control the bill review and payment approval process. As a result, TFAS staff perform cursory reviews of telephone bills before they are paid and billing errors may go undetected.

Additionally, the automated system that the Library uses to account for telephone calls – Veramark – could not reconcile the number of calls the Library made with the number of calls for which the Library was billed. According to ITS, Veramark is obsolete, does not interface with critical components of the Library’s telecommunications system, and appears to unpredictably lose data. As a result, ITS cannot determine if the Library is being correctly billed for the telephone calls that were made.

We reviewed a sample of the Library’s November 2007 monthly telephone bills to determine whether the calling rates on the bills correctly corresponded to the calling rates of the Library’s contract. Although our review of the sample bills revealed no discrepancies, there is effectively little assurance that the Library has been charged correct rates for the calls it has made. Also, due to the unavailability of relevant data, we were unable to reconcile the number of calls billed by the vendor to the calls actually made by Library staff.

In view of the substantial volume of telephone calls the Library makes to accomplish its mission and continuing pressures to conserve funding, it is critical that the Library develop and implement internal controls for its telephone services to ensure that funds for these services are effectively managed.

Recommendation

1. We recommend that ITS develop and implement formal, written procedures to guide and control the long distance bill review and payment approval process.
2. We recommend that ITS explore acquiring a new automated system to provide more effective accounting for the Library’s telephone calls.

ITS Response and OIG Comments

ITS generally agrees that its written invoice review process needs to be expanded. However, ITS does not agree that it needs to explore acquiring a new automated telephone call tracking system. ITS states that the Veramark is up to date and functions as designed. We based our assessment of the software on discussions with ITS staff charged with operating the system. In those discussions, ITS informed us that the system was “extremely old” and has “many internal problems” such as “los[ing] data often times.”⁶ Until this inconsistency can be resolved, we reaffirm our recommendation.

⁶ Email from ITS telecommunications specialist, dated March 13, 2008.

▶▶ CONCLUSION

Continuing pressures to conserve funding make it critical for the Library to effectively manage and oversee all of its activities including those in the telecommunications area.

This review focused on and identified two weaknesses in the Library's telecommunications area that it should promptly address. First, although it is possible that the Library's existing contracting arrangement for long distance telephone service is the most cost effective one available, this review demonstrates that using services of alternative providers may provide the Library better value. Accordingly, it should explore opportunities for the best value.

Second, although we identified no discrepancies, we found that the Library had effectively no internal controls in place for reviewing and approving payments for its long distance telephone bills. Because they are essential for the effective use of funds and detecting errors and fraud, internal controls for the Library's telephone bills should be promptly established.

Major Contributors to This Report

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▶▶ APPENDIX A: ACRONYMS USED IN THIS REPORT

AOC	Architect of the Capitol
FTS2001	Federal Telecommunications Systems Contract
GSA	General Services Administration
ITS	Information Technology Services
LCR	Library of Congress Regulation
OCFO	Office of the Chief Financial Officer
OSI	Office of Strategic Initiatives
TFAS	Technical Facilities and Services

►► APPENDIX B: ITS RESPONSE

We received the following from ITS in response to our draft report:

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I. ITS should explore other Long Distance Options

ITS agrees that there should be negotiations for a lower international rate when the current contract ends. The current contract will expire on December 2008. The Legislative Branch contract was negotiated almost 5 years ago. Since then, new services have been established, Networx being one. We are aware of the services offered by Networx, but there are many other issues that must be considered along with the rate. The Legislative branch contract is a package deal. Over 97% of the Library's long distance calls are domestic. Even with the market changes over the past years the domestic long distance rate on the Legislative Branch package is a very low .02 cents per minute. Re competing the contract now would require significant unplanned resources of staff as well as consultant services. The consultant would need to evaluate the current services supported by the Legislative Branch package, analyze cost and feasibility of new facilities required to establish service through another long distance carrier and create a SOW that clearly outlines all services in order to establish a new RFP. This plan could cost over \$40,000 for at least 160 hours of consulting fees alone, to create savings on approximately 3% of the long distance calls. Since we are satisfied with the domestic rates on the Legislative Branch Contract, the most viable and cost effective solution would be to have the international call rates re adjusted.

II ITS Needs to Improve Internal Controls over Telephone Billings

ITS follows the written payment procedures found in the Office of the Chief Financial Officer directive titled OCFO 05 04 Payment Procedure. The guidance we follow can be found in sections 5 and 7 of the document. Written guidance can also be found in the Desk Guide for Requisitioners document in sections 5.1 and 5.4 that is published for using the Library's Momentum application. Up until this audit finding it was thought that ITS was following adequate written standards for internal controls by following this guidance.

ITS does appreciate the recommendation to further expand on a written invoice review and approval process. ITS has written instructions for bill handling. Although it is not written into a standard operating procedure (SOP), the review process used by staff has been effective at finding discrepancies and having billing charges adjusted to correctly reflect contracted fees and use of contracted services. ITS will develop a SOP that identifies elements of the invoice that can be compared with data that can be obtained from LOC Telephone systems. ITS will also identify review elements that prompt further investigation.

There was also an audit finding that Veramark is obsolete and does not interface with critical components of the Library's telecommunication system. This statement is inaccurate. The ECAS System, by Veramark, is up to date and functions as designed. It is directly connected to each voice switch and polls/receives call records on a daily bases. Call record reports are generated monthly and distributed to authorized division liaisons via E mail for usage evaluation and control. The ECAS system is custom designed to allow the Library to report call record information 4 division levels deep. In addition, call record reports are commonly generated to satisfy written request by management for call information.