

Review of Telephone Costs and Services

Audit Guide

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Preliminary Survey:

Auditor W/P

Initial

-Meet with the Telecommunications Director, do a risk assessment and select audit areas. Keep in mind that not all areas may be audited. Select those areas that have the highest potential payback.

Detailed Audit Steps

A - Telephone Lines

Sub-objective: To determine if there are excess telephone lines.

| Audit Steps | Auditor W/P | Initial |
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-Does the installation maintain an inventory database of telecommunications equipment and services?

-When was the database last updated?

-When was the last time the requirements for telecommunications equipment and services reviewed and revalidated?

-Were unneeded requirements terminated?

-Obtain a printout of the installation inventory of the telephone lines.

-Determine the number of lines (analog/digital) for each office and compare the number of phone lines with the current TDAs including contractors. This could be an indication of excess lines within an office.

-If the installation has its own telephone switch, ascertain the capacity of the switch. This is the number of active lines the switch can handle. Compare this to the number of active lines and population data. This could be an indication of inactive/excess lines within the installation.

Audit Steps**Auditor W/P****Initial**

-Obtain a printout of the installation telephone non-usage report. This report should list any telephone line that has not been used to make an outgoing call over a period of 30-90 days.

-Verify whether the telephone lines/numbers identified above, as potential excess, are listed in the non-usage report.

-From the non-usage report, identify the telephone numbers that have been established for receiving only incoming calls. They shouldn't be counted as excess. These numbers are for the emergency line, the command hot line, the inclement weather line, the 800 number lines, and other lines set up for the computer systems.

-Any other telephone numbers or lines in the non-usage report are potential excess. Take a sample of these lines; determine if they belong to current employees or contractors who may be on long term assignments. Verify against individual names, building locations, etc.

-Compute monthly and annual recurring costs for the excess telephone lines.

B - Billing Procedures

Sub-objective: To determine the extent of management controls over the telephone bills.

| Audit Steps | Auditor W/P | Initial |
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-Is the call detail report reconciled with telephone bills?

-Are bills reviewed for accuracy?
By whom? How often?

-Determine if communication invoices are reconciled to the telecommunications services inventories before authorizing payments.

-Are all leased trunks, lines, and circuits billed verified against the inventory?

-Is the installation paying for inactive/disconnected/excess telephone lines or circuits? How much?

-How are billing issues resolved?

C - Long Distance Charges

Sub-objective 1: To determine whether commercial long-distance telephone carriers include/bury illegitimate long-distance charges among legitimate ones hoping that the extensive details will be daunting enough for anyone not to notice.

| Audit Steps | Auditor W/P | Initial |
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-Is the Federal Telecommunications System (FTS) 2000 being used for all long-haul telecommunications requirements?

-If not, why? What are the long distance carriers?

-Does the installation have a system that tracks all out-going long-distance calls to include from/to number, city, state, date, time, and call duration?

-How often are billing statements for long-distance calls received?

-Are these statements in an integrated form (single phone bill) or in detailed form?

-Do the installation telephone coordinators routinely match these phone bills to the telephone toll tape details to verify that the long-distance calls are originated from the installation?

-How do illegitimate charges/billing issues get resolved?

Sub-objective 2: To determine the adequacy of controls over long-distance charges. Substantial losses can incur in this area when payments are made without reviewing the details.

| Audit Steps | Auditor W/P | Initial |
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| -Are commercial long-distance calls permitted only when Government provided service is not available? | | |
| -What's the dollar amount for collect calls? (The spreadsheet in the preliminary survey should show this). | | |
| -Are there personal and 3rd party calls on the phone bills? | | |
| -Are telephone bills distributed to telephone coordinators for review? How often? Evaluate the review process. | | |
| -Do supervisors sign/approve/authenticate official long distance calls? | | |
| -Do employees reimburse for personal/unofficial long-distance calls? | | |
| -What are the collection procedures? Where're checks deposited? | | |
| -Are there any "Hot" lines (900 number) calls in the statements? These lines should have been blocked in the FTS 2000 network. | | |
| -Determine whether access to audio text calls (e.g., dial-a-joke, dial-a-horoscope) have been blocked. | | |
| -Ask the Telecommunications Director for a list of blocked numbers. Test some of these numbers to see if, in fact, they have been blocked. | | |

D - Extended Area Calling

Sub-objective: To determine whether the installation is receiving adequate discounts for calls placed outside the local calling areas.

| Audit Steps | Auditor W/P | Initial |
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-Determine the installation annual cost for extended area calls. (The spreadsheet in the preliminary survey should show this). Extended area calls are calls placed outside the local calling areas. They are billed at a special rate because they are farther than a message unit, but too close to incur normal long distance rate.

-Determine the rate at which extended area calls are being billed. Bell Atlantic, for example, offers three different rate plans to its business customers: large user discount, business optional calling plan, and intraLATA WATS service. The latter plan may reduce the cost for extended area calls by as much as 50% based upon usage/volume. Through the Telecommunications Director, contact the Bell Atlantic Federal System Account Executive or your local telephone service provider for an analysis/study of the installation toll calls.

-Recommend the appropriate plan for the installation.

-Compute the associated cost savings.

E - 800 Telephone Lines

Sub-objective: To determine whether the installation's 800-toll-free telephone numbers are being used as intended.

| Audit Steps | Auditor W/P | Initial |
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-Determine whether the installation has set up any 800-numbers for employees to either call back to the installation when away on TDY or for remote computer access.

-Obtain a list of the 800-numbers and the operating procedures. An 800-number is a toll free telephone service to the user. Its purpose is to eliminate long distance collect calls to the Government. By dialing the 800 number along with an employee's extension, anyone from anywhere in the Country can access the 800-line.

-Determine whether billing statements for the 800-numbers contain at a minimum: the dates of the calls, the area codes and the telephone numbers where the calls are originated, the telephone numbers that are being called, the time of the calls, the duration of the calls, and the cost of the calls.

-What are the average monthly costs and the annual costs for the 800 lines?

-Who reviews the statements? How? Is the review centralized or decentralized? Evaluate the process.

Audit Steps**Auditor W/P****Initial**

-Take the billing statements for a six-month period and examine the pattern of the calls to see whether a greater volume of calls has come from or been made to a particular telephone number.

-Obtain an explanation for any unusual volume or call pattern.

-Determine whether employees were on TDY during the time and in the locations listed under the area codes being questioned.

F - Calling Cards

Sub-objective: To review the adequacy of controls over Government issued calling cards.

| Audit Steps | Auditor W/P | Initial |
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-How much does the installation pay for credit card calls?

-How many calling cards are outstanding?

-Is a list of credit card holders maintained?

-What's the basis used for issuing calling cards to individuals?

-Is an annual validation of the continued need conducted?

-What are the controls/limitations established to prevent misuse?

-Are there separate billing lines for credit card calls?

-Are the credit card numbers listed in the billing statements?

-Do the telephone coordinators match credit card numbers listed in the billing statements with the series of numbers assigned to the installation calling cards?

-Do the billing statements provide call details?

-Are these calls being reviewed for legitimacy? How? By whom? Evaluate the review process.

G - Telephone Features

Sub-objective: To determine the type, adequacy, utilization, and costs of existing telephone features; namely: call block, call forwarding, call waiting, caller ID, repeat call, return call, tone block, etc,.

| Audit Steps | Auditor W/P | Initial |
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-What are the current available features?

-Which ones are available to all employees?

-Which ones are available to supervisors and secretaries?

-What is the monthly cost per single feature?

-What is the monthly cost for the package?

-Are there particular features the phone sets shouldn't have?

-What are they? What are the monthly costs?

-Are there particular features the phone sets should have?

-What are they? What are the monthly costs?

-Who determined the features? How?

-Are the features realistic/needed for the environment?

-Are users aware of the features?

-Are the features being used?
To what extent?

-Which ones can be done away with?

H - Directory Calls

Sub-objective: To determine whether employees are making frequent use of operator assisted calls for personal use. Such calls incur charges and they can be easily abused by employees/contractors.

Audit Steps

Auditor W/P

Initial

-Is there a separate entry for directory or information calls on the phone bills?

-What are the costs per unit, the average monthly costs, and the annual costs for directory assistance calls?

-If substantial, review the past year's statements.

-Determine whether these calls originated from the same numbers.

-If a pattern is found, determine the usefulness/business purpose of these calls?

Potential Findings

- Existing telephone lines exceed installation's telephone needs causing unnecessary costs.
- Installation is paying for telephone lines in vacated buildings.
- Charges for telephone services have exceeded allowable tariff rates.
- Erroneous bills/charges by telephone carriers.
- Personal long distance calls aren't being recouped.
- Installations may not be in the most economical plan for extended area calls.
- Employees have provided the 800-telephone number to their out-of-town relatives and friends to call them at the work place thereby, avoiding the charges of personal long distance calls by passing the cost to the Government.
- Calling cards are used to make unofficial long distance calls.
- Calls made through modems have lasted several hours or days long.
- Excessive use of directory assistance made for personal calls.
- Third party calls are billed back to the Government.
- Unneeded telephone features.
- Excessive use of operator assisted calls.

Applicable Regulations

-DoD Directive 4640.13, Management of Base and Long-Haul
Telecommunications Equipment and Services

-DoD Instruction 4640.14, Base and Long-Haul Telecommunications
Equipment and Services

-AR 25-1, The Army Information Resources Management Program

-DA PAM 25-1-1, Installation Information Services

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