



United States
General Accounting Office
Washington, D.C. 20548

Accounting and Information
Management Division

B-262098

September 5, 1995

The Honorable Anthony A. Williams
Chief Financial Officer
Department of Agriculture

Dear Mr. Williams:

At the request of the Chairman, Senate Committee on Agriculture, Nutrition, and Forestry and the Ranking Minority Member, Subcommittee on Government Management, Information and Technology, House Committee on Government Reform and Oversight, we reviewed the Department of Agriculture's (USDA) management and planning of telecommunications. As part of this ongoing review, we identified two telecommunications bills that included charges for leased equipment and services that are no longer being used. In these cases, USDA has been paying tens of thousands of dollars annually for equipment, such as rotary telephones and outdated modems that could not even be located, and for telephone services for an office that closed over a year ago.

On July 12, 1995, we discussed these bills with the Deputy Chief Financial Officer and the National Finance Center (NFC) Director. In this meeting we recommended that USDA (1) immediately take the necessary actions to stop payments for the charges on these bills and seek recovery of past vendor charges deemed inappropriate and (2) evaluate and correct the financial management processes and controls at NFC that permitted such payments to be made. The Deputy Chief Financial Officer and the NFC Director agreed to take appropriate actions on these bills and evaluate controls at NFC for these types of payments. The purpose of this letter is to confirm our discussion and provide further perspective on disbursement control issues for USDA's consideration.

AT&T Bill Number 7162119126

This consolidated monthly bill covers hundreds of items, including telecommunications modems, telephones, and other equipment, leased by various USDA agencies and offices across the nation. We identified the following charges included in this bill:

- USDA's Office of Information Resources Management (OIRM) has paid \$6,262 a year to lease three unused 4800 baud modems at USDA headquarters in Washington, D.C. (account number 0013-256-7017). Although these modems have been leased since 1985, OIRM staff working at the headquarters office told us that no one has used the modems for several years. On August 11, 1995, OIRM staff advised us that OIRM discontinued payments for these three modems in April 1995, after we advised OIRM officials about the problem. We were also told that OIRM had submitted a claim to recoup some of the past charges.
- One USDA agency in Washington, D.C. paid over \$10,000 a year to lease 16 outdated 2400 baud modems (account number 0013-319-2419). Moreover, agency telecommunications staff were unable to find any of these modems. They told us that this type of equipment was likely disposed of many years ago because no one uses it any longer and it can be purchased at a fraction of the lease cost. During the last 8 years USDA paid \$82,053 to lease these modems--more than \$5,120 each or over \$50 a month.
- Two USDA agencies paid over \$8,000 annually to lease three modems. This amount included annual charges of \$1,560 for a 4800 baud modem, \$3,960 for a 9600 baud modem, and \$2,820 for another 9600 baud modem (account numbers 0006-042-0619, 0003-94-8445, and 0003-94-8791, respectively). Although USDA's OIRM office in Fort Collins, Colorado, is designated as being responsible for the charges, OIRM staff at this office could not tell us whether the modems are still being used. According to the bills, USDA has been leasing these modems, which can be purchased at a fraction of the annual lease cost, since June 1987.
- One USDA agency office in Washington, D.C., paid \$7,488 annually to lease a 4800 baud modem and two 9600 baud modems, but the agency staff responsible for monitoring these charges could not locate or identify this equipment (account number 0013-257-3916).

In addition, according to this AT&T bill, USDA has been leasing hundreds of out-of-date rotary-style telephones. In total, USDA has paid more than \$35 each, or about \$7,800 annually, to lease 214 rotary-style telephones. Because USDA has been leasing these telephones for more than 8 years, it has paid more than \$288 for each telephone.

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USDA officials could not explain why the Department continues to lease outdated telecommunications equipment or equipment and services that are no longer used. Also, AT&T officials told us they could not find a lease agreement with USDA for this equipment.

GTE Bill Number 8940300806

USDA was paying GTE \$483.79 each month for telephone service, including local telephone service, 10 extended area service lines, and 10 interstate lines, for an agency office that was closed over a year ago. Although the office space has been vacant since March 1994, USDA has paid over \$6,200 through May 1995, to provide telephone service to this unoccupied office.

After we brought this to NFC's attention, an NFC official told us the problem probably occurred because the USDA agency did not notify the vendor and NFC about the need to disconnect services and stop payment when the office closed. Consequently, the vendor continued to submit bills and NFC continued to pay them.

Control Issues

These two bills are only a small fraction of the approximately 23,000 telephone bills that NFC pays USDA telecommunications vendors each month, making it difficult to determine whether these are isolated cases or systemic weaknesses. However, several years of making payments for equipment and services that are not being used and, in some cases, could not be located, clearly raises questions as to the adequacy of NFC's financial management processes and controls.

As we discussed on July 12, 1995, we did not evaluate the management processes and internal controls over payments at NFC or whether they comply with the requirements of Title 7 of GAO's Policy and Procedures Manual for Guidance of Federal Agencies¹ because determining the adequacy of such processes and controls was outside the objectives and scope of our overall review. However, we did note that the USDA Inspector General has not been able to issue an opinion on NFC's internal control environment since fiscal year 1991

¹The controls for disbursements are contained in chapter 7 and provisions for the use of statistical sampling in confirming the receipt of services are contained in appendix III.

because the internal controls have not been fully documented.

According to NFC officials, telecommunications bills are automatically paid unless they exceed a maximum payment amount set by the USDA component agency on each account. If this maximum amount is exceeded, NFC staff are to contact the agency to determine whether the bill is accurate. In addition, NFC officials said that they take about a 1 percent sample of bills paid for telephone toll charges and send these to the agencies for review.² NFC officials also told us that they send a semiannual status report to the agency's designated contact point for each account. These status reports contain information on the vendor, service location, and last payment on the account. Officials at the agency contact points are supposed to review the accuracy of the account numbers and related data.

However, according to NFC officials, agency representatives are not required to send positive confirmation to NFC that the account information and charges are accurate. If the agency does not notify NFC of inaccuracies in the telephone toll charge bills, or if the contact point does not notify NFC of inaccuracies on the accounts listed on the status reports, NFC considers this proof of receipt of the services and will continue to pay these invoices.

While we did not review NFC's controls over payments for telecommunications equipment and services, one possible reason for USDA continuing to pay charges for equipment and services it no longer uses is that agency representatives are not required to provide NFC with positive confirmation on telecommunications charges. Moreover, we noted that agency representatives are not always identified on accounts or may not be knowledgeable about the service or equipment.

Agency Comments

On August 30, 1995, we met with you and the Deputy Chief Financial Officer to obtain your comments on a draft of this letter. At that time, you stated your agreement with the facts, but emphasized that the USDA agencies using the equipment and services are primarily responsible for ensuring the validity of telecommunications bills. You added that the Department should have an overall process in place that provides adequate controls over

²We did not assess the reasonableness of this sample size as part of our review.

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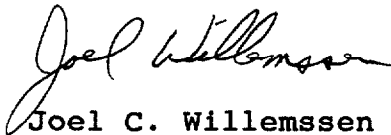
telecommunications payments, including effective controls at NFC. We acknowledge that USDA agencies are primarily responsible for ensuring the validity of telecommunications bills and agree that adequate controls should be in place throughout the Department as well as NFC.

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We are providing copies of this letter to the Chairman of the Senate Committee on Agriculture, Nutrition, and Forestry and the Ranking Minority Member of the Subcommittee on Government Management, Information and Technology, House Committee on Government Reform and Oversight. We will also send copies to the Secretary of Agriculture; the Assistant Secretary for Administration; the Inspector General; the Senate Committee on Government Affairs; the Senate and House Committees on Appropriations; the House Committee on Agriculture; the House Committee on Government Reform and Oversight; the Director, Office of Management and Budget; and other interested parties. Copies will also be made available to others upon request.

We request that you inform us within 30 days of the actions you have taken or intend to take on these matters. If you or your staff have any questions, please call me at (202) 512-6253, Steve Schwartz at 512-6213, or Mark Shaw at 512-6251.

Sincerely yours,



Joel C. Willemsen
Director, Information Resources
Management/Resources, Community,
and Economic Development

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