

GAO

Report to the Chairman, Subcommittee
on Telecommunications and Finance,
Committee on Energy and Commerce,
House of Representatives

July 1990

ENERGY MANAGEMENT

DOE Controls Over Contractors' Use of FTS Are Inadequate



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**Resources, Community, and
Economic Development Division**

B-236511

July 17, 1990

The Honorable Edward J. Markey
Chairman, Subcommittee on Telecommunications
and Finance
Committee on Energy and Commerce
House of Representatives

Dear Mr. Chairman:

This report responds to your March 1, 1989, request that we examine the Department of Energy's (DOE) controls over contractors' use of the Federal Telecommunications System (FTS). Over 90 percent of the FTS lines at facilities in DOE's operations offices are used by contractor employees, and these offices spent about \$16 million on FTS long distance calls in fiscal year 1989. You asked us to examine (1) the adequacy of DOE's FTS policies and procedures, (2) the effectiveness of DOE's management and oversight of FTS usage by contractors, and (3) the adequacy of DOE's efforts to investigate allegations of misuse or abuse by contractors.

Results in Brief

DOE's basic policies on FTS usage place the responsibility on supervisors for preventing misuse of FTS lines assigned to their units. However, DOE's procedures for supervisors are not specific enough to ensure that contractors' use of FTS is limited to official purposes. Furthermore, DOE, in most instances, does not provide supervisors with any information on FTS calls made by employees.

According to DOE telecommunications officials, DOE cannot provide specific information to supervisors about FTS calls or develop procedures to determine if FTS calls are for official purposes until it has established a Privacy Act (5 U.S.C. 552a) system of records designed to prevent the misuse of information collected about individuals.¹ Records of telephone calls used to control costs and to determine accountability are subject to the Privacy Act because such call-information must be linked to the individual responsible for the call to determine whether the call was made for official purposes. DOE proposed a system of records in 1987. On May

¹A system of records is any group of records under the control of an agency from which information is retrieved by a person's name or by any number, symbol, or other identifier assigned to that individual. Such a system is designed to safeguard an individual's privacy by preventing the misuse of federal records and by allowing individuals to review their records.

9, 1990, DOE's Office of General Counsel approved the system of records for public notice and comment in the Federal Register.

DOE's oversight is not adequate to determine whether FTS is misused by contractors. Although DOE's procedures provide for periodic appraisals of the telecommunications programs at the operations offices by headquarters staff, in the past these appraisals have not included an evaluation and review of the uses of FTS. Furthermore, reviews carried out by DOE operations office officials have not assessed whether contractors' use of FTS is restricted to official purposes. Finally, since DOE was generally unable to provide examples of alleged or actual misuse of FTS, we could not evaluate the adequacy of DOE's efforts to investigate possible contractors' abuse.

Background

DOE owns an extensive network of facilities and laboratories, which are operated by firms and universities (operating contractors) under fully reimbursable, cost-type contracts (i.e., contractors receive full reimbursement from DOE for all costs incurred). As permitted by the General Services Administration (GSA) rules, DOE has authorized these operating contractors to use FTS, the primary long-distance telephone service for the government, to carry out the government functions specified in their contracts. GSA is in the process of replacing the existing FTS with FTS 2000, which will provide video, enhanced data, and electronic mail services not now available under FTS. Although the services and information provided to DOE under FTS 2000 will be different, DOE's responsibility for establishing policies and procedures to control its use will not change.

DOE's FTS long-distance cost in fiscal year 1989 was about \$24 million. About \$16 million (or 66 percent) was incurred by facilities at DOE's eight operations offices where most—or about 96 percent—of the FTS lines are assigned to contractor employees.

While GSA provides overall direction and management of FTS and bills federal agencies for its use, individual federal agencies, such as DOE, are responsible for establishing administrative controls to ensure that the FTS is used for official purposes.²

²According to GSA regulations (41 CFR 201-38.007), official purposes include emergency calls and personal calls that an agency determines are necessary in the interest of the government, for example, a call of a personal nature that could not have reasonably been made at another time.

The Privacy Act (5 U.S.C. 552a) and the Freedom of Information Act (5 U.S.C. 552) are applicable to the treatment of information concerning telephone calls. The Privacy Act requires agencies to institute specific control procedures to protect government records about individuals from unauthorized access and unintentional disclosure. The Freedom of Information Act provides the basic authority and the procedures through which the public may obtain records in the government's possession.

In a previous report we recognized that an inherent conflict exists between the disclosure and protection of personal information that leads to a certain tension in the application of existing law to telephone records.³ Specifically, a record may be subject to the Privacy Act and yet disclosed under the Freedom of Information Act. The report recommended that the Director, Office of Management and Budget (OMB), the agency with oversight responsibility for the Privacy Act, review the extent to which telephone records should be protected from disclosure and the circumstances under which they should be released. The report also recommended that the Director, with the assistance of GSA and the Department of Justice, explore various alternatives and, if appropriate, propose legislation or issue clarifying guidance for the treatment of telephone records. According to an OMB official, no action has been taken or is planned on the recommendations.

DOE Lacks Effective Controls Over Contractors' Use of FTS

DOE policies make supervisors (including the supervisors employed by its contractors) responsible for preventing misuse of the FTS lines assigned to their units. DOE has not developed procedures, however, to guide the supervisors in carrying out this function or provided information about the calls made over their FTS lines that could be used to evaluate whether the calls were appropriate. DOE has continued to rely on supervisors to control FTS use even though a 1985 DOE Office of the Inspector General (OIG) report found widespread abuse of FTS by DOE and contractor employees.⁴ According to DOE telecommunications officials, DOE cannot develop more effective controls over FTS use until it establishes a Privacy Act system of records for its detailed information on FTS calls.

³Telecommunications Privacy: GSA's Planned FTS 2000 Telephone Record Controls Appear Reasonable (GAO/IMTEC-89-6, Dec. 23, 1988).

⁴Review of Abuse of Long Distance Telephone Service (FTS) in the Department of Energy (DOE/IG-0217, Mar. 22, 1985).

Since 1985 DOE has not examined controls over FTS use and could not tell us whether there is abuse of FTS.

DOE Policies and Procedures Do Not Provide Guidance for Controlling the Use of FTS

Two DOE orders assign responsibility to supervisors for ensuring that FTS calls are for official purposes. One order specifies the authorized use of government telephone services while the other is concerned with telecommunication policies in general.

The order on the authorized use of telephone services states that DOE's overall policy is that FTS is to be used to conduct official business, and that FTS represents resources and should be managed as any other resource. The order lists the types of calls DOE has authorized as official use of government-provided telephone services. For example, DOE employees traveling for more than 1 night on government business can use FTS to make brief calls home.

The second order requires the heads of DOE units to provide efficient and effective management of telecommunications services and facilities and to ensure that contractors manage telecommunications services in accordance with DOE policies and procedures. It also specifies that DOE headquarters telecommunications officials appraise field locations' telecommunications programs every three years and prepare a report on the findings. The appraisals are to ensure that adequate internal controls are in place and to promote measures for the avoidance of waste, fraud, and abuse.

Neither order specifies the procedures that supervisors should follow to carry out their responsibilities for ensuring that the FTS lines assigned to their units are not misused. Since in most offices the supervisors are not given any information about their units' FTS calls, their only option is to observe the employees.

Prior OIG Audit Revealed Widespread Misuse of FTS Due to the Lack of DOE Procedures

DOE's OIG reported on the use of FTS long distance service by DOE and contractor employees in 1985. At that time DOE was also relying on supervisors to control the use of FTS. The OIG report concluded that (1) about 30 percent of DOE's FTS long-distance calls nationwide were for unofficial purposes, (2) annually, \$8 million was spent on unofficial FTS calls, and (3) a cost of about \$6 million was incurred annually by DOE for work time spent on unauthorized long-distance FTS calls. The OIG recommended that DOE consider, among other things, additional recording and

accounting procedures to (1) track FTS calls, (2) examine the management of FTS lines, and (3) develop methods to curtail abuse.

DOE agreed to take corrective actions that included reemphasizing its policy on the use of FTS for official business by sending memoranda to all employees and by distributing detailed information on FTS calls to the operations offices. However, DOE did not (1) implement any procedures to identify and analyze FTS calls for possible unofficial uses, (2) expand its policy that makes supervisors responsible for controlling the use of FTS, or (3) distribute call-detail reports to the operations offices about FTS calls. DOE headquarters telecommunications officials pointed out that although the call-detail reports were not routinely sent to the operations offices, they informed the operations offices that they could get the reports if they requested them.

DOE Needs a System of Records to Implement More Effective FTS Controls

DOE telecommunications officials told us that they have not issued more specific guidance or information about how to control the use of FTS because they do not have a DOE-wide system of records for telephone call data. The officials believe that they cannot use the telephone records that contain information about FTS calls to determine individual accountability for unofficial telephone calls until they comply with the Privacy Act system-of-records provision.

DOE's Office of Computer Services and Telecommunications Management submitted a DOE-wide system-of-records proposal in July 1987 to DOE's Office of General Counsel.⁵ As part of DOE's internal review process, the Office of General Counsel must review and approve the proposal before it can be published in the Federal Register for public comment. Publication in the Federal Register is required to provide public notice of the type of information being accumulated about individuals and the ways such information will be used.

In a May 9, 1990, memorandum to DOE's Acting Associate Director for Administration, Information and Facilities Management, DOE's General Counsel gave his approval for the system of records to be published in the Federal Register. He stated that he had no legal objections to the proposed telephone system of records and that DOE has a legitimate right to curb telephone abuse by employees.

⁵In April 1990, the Office of Computer Services and Telecommunications Management was reorganized, and its functions are now handled by two newly created offices: the Office of Information Resources Management Policy, Plans, and Oversight, and the Office of Information Technology, Services, and Operations.

According to DOE's Office of General Counsel officials, the reasons for the delay in the Office's approval were concern over employees' privacy and over the release of information about telephone usage under the Freedom of Information Act once the system of records is published. Because telephone records subject to the Privacy Act are not collectively protected from disclosure under the Freedom of Information Act, DOE could not refuse to release a record under the Freedom of Information Act unless it falls under one of the exemptions provided by the act. Examples of exempt records include those that would breach national defense or foreign policy, or whose disclosure would constitute a clearly unwarranted invasion of personal privacy.

In the May 9, 1990, memorandum, the General Counsel noted his concerns about protection of the privacy interests of individuals and suggested that the Acting Associate Director for Administration assure employees that their privacy will be protected to the greatest extent possible. He also emphasized keeping only an essential minimum of records as the most effective protection against incursions into personal privacy.

DOE telecommunications officials said that the system of records will be a tool to control use of telephone systems. They also said that as FTS 2000 is implemented, telephone call records will be provided directly to the field directors for administration who are responsible for the oversight of telephone systems. However, they do not expect that DOE will establish DOE-wide procedures on how telephone records should be used to control FTS use. Instead, they said DOE will probably leave it up to field offices to decide whether and how to use the records.

**DOE's Oversight Activities
Do Not Address
Appropriateness of FTS
Use**

As specified in the DOE telecommunications order, DOE headquarters officials appraise field locations telecommunications programs every 3 years. None of the three DOE headquarters appraisals of telecommunications programs at its operations offices done between August 1986 and July 1989 analyzed the adequacy of controls over the contractors' use of FTS. The appraisals generally concentrated on the adequacy of equipment acquisition and utilization and staffing. In addition, while telecommunications services such as FTS are an element of the operations offices' reviews of contractors, according to officials at six of the eight DOE operations offices, no attempt is made to determine if FTS calls are restricted to official business.

DOE headquarters telecommunications officials told us that the periodic appraisals do evaluate the controls over FTS use in that they examine cost control procedures that are in place, such as restricting or blocking long-distance access to horoscope and sports numbers. They admitted, however, that they do not examine the adequacy of field offices' efforts to ensure that calls made using FTS were for official purposes.

Furthermore, DOE telecommunications officials at seven of the eight operations offices told us that they did not have information on specific instances of FTS abuse and generally were not aware of any misuse of FTS. In addition, OIG officials in DOE headquarters could not identify any investigations that involved FTS use during the last 4 or 5 years. As they pointed out, the investigative staffs are small and concentrate on the bigger dollar programs, such as procurement.

Cost Effective Program Could Be Developed to Improve DOE Oversight of FTS

DOE could devise a cost effective method for reviewing FTS telephone calls and for following up on possible unofficial calls. Even though DOE has not established department-wide procedures for reviewing and analyzing FTS telephone records, contractors in two of DOE's operations offices use telephone records to determine if FTS calls are made for official purposes. Officials in these two offices reported that these procedures seem to be effective in controlling FTS use and in reducing FTS costs. Most DOE facilities have the technical capability to collect the data needed to institute similar programs.

While it may be costly and burdensome to require contractors to verify all FTS calls, sampling procedures could be used to develop a cost-effective verification process. Criteria for selecting calls for follow-up based on frequency or length of the calls, for example, could be used to eliminate the shorter, lower-cost calls that make up the bulk of FTS usage. Follow-up effort could then be limited to a small number of longer calls having a greater financial impact. For example, our analysis of GSA's sample of 310,857 FTS calls made from DOE's field offices in October 1988 showed that over 70 percent of these calls lasted less than 5 minutes, while less than 1 percent lasted 60 minutes or longer.⁶

Contractors who operate telephone systems at two DOE operations offices are already using FTS records to control FTS use even though DOE

⁶The sampling error associated with these estimates is negligible due to the large sample size—over 310,000 calls.

has not developed department-wide procedures for using them. The contractors who operate the telephone systems at facilities in the Chicago and Nevada Operations Offices develop and distribute reports on FTS long-distance usage for managers to review. This approach implements some of the procedures described in GSA's FTS guidance in a May 1987 bulletin encouraging agencies to review and analyze detailed telephone records of actual calls and to follow up on questionable calls.

According to telecommunications officials in the Nevada Operations Office, a telecommunications contractor prepares monthly lists of FTS calls made to non-FTS numbers and of calls lasting more than 60 minutes. The lists are distributed to managers who are responsible for verifying the appropriateness of the calls on the list for their unit. Similarly, contractors at facilities reporting to the Chicago Operations Office provide managers with information on calls lasting more than 30 minutes and of telephone numbers called more than 20 times during the month. Managers are to identify questionable calls for follow-up.

Officials at these two operations offices told us that FTS costs have decreased since the contractors started providing this information to the unit managers. For example, according to a telecommunications official in the Chicago Operations Office, the annual cost of FTS at one small facility decreased from \$135,000 to \$12,000 after the review process was initiated. Similarly, a telecommunications official in the Nevada Operations Office told us that FTS costs for facilities in that office decreased by \$400,000. The official also said that the amount of the decrease due to the review of FTS usage cannot be determined because of a switch from use of some FTS lines in the office to cheaper wide-area telecommunications service lines, known as WATS lines.

DOE officials at these operations offices said that they allowed the contractors to implement these systems because the call-detail reports do not identify individuals; thus, they do not believe the reports are covered by the Privacy Act. DOE headquarters' telecommunications officials were unaware of this activity, which conflicts with their interpretation of Privacy Act requirements. They said that they were not sure what, if any, action would be taken and pointed out that while headquarters issues policies and guidance, it does not directly control how the operations offices carry out those policies.

Most DOE locations already have the technical capability to gather data on FTS telephone calls, which could be used in similar analyses. A few DOE facilities—the Richland Operations Office and seven facilities

reporting to other operations offices—will not be able to collect such data until their telephone equipment is upgraded. During our review, we noted that Richland was in the process of acquiring a new telephone system that will collect information about the telephone calls made.

Conclusions

DOE relies on supervisors to control FTS use by contractors but has neither established procedures and guidelines for supervisors' control of FTS nor provided information on FTS calls. Also, DOE evaluations have not focused on controls over FTS use. Therefore, DOE lacks assurance that FTS is used for official business only and that unnecessary costs are not incurred.

In our view, a program based on an analysis of a sample of FTS telephone calls for follow-up could improve DOE controls over FTS use. That such a method can succeed has been demonstrated by the contractor-established programs in two of DOE's operations offices that have resulted in a decrease in the volume of FTS calls and a reduction in costs.

DOE deserves credit for taking an initial step toward establishing such a program by approving for comment in the Federal Register a system of records to comply with Privacy Act requirements. However, DOE has no plans to establish procedures on how the information that will be available under the system of records should be used to review and control FTS use, nor is it clear how DOE will monitor the procedures established by field locations.

Recommendations

To ensure that contractors are using FTS only for official purposes, we recommend that the Secretary of Energy direct the Assistant Secretary for Management and Administration to establish an FTS call-control program which includes

- appropriate DOE-wide procedures and management controls, for both users and supervisory personnel, on the use of FTS as well as the financial and disciplinary consequences of abuse and
- specific procedures for monitoring and reporting to management on the effectiveness of the FTS call-control program.

Scope and Methodology

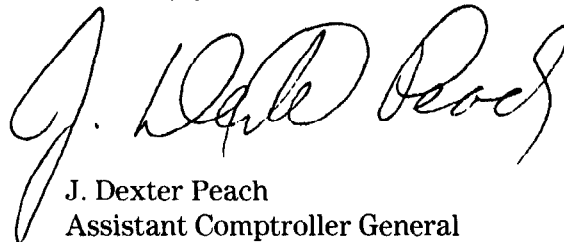
In performing this review, we examined applicable laws and regulations, DOE's telecommunications policies and procedures, prior reports on FTS, and information on FTS long-distance usage. We also discussed DOE's policies, procedures, and oversight with officials at DOE headquarters and eight operations offices, and obtained information on FTS operations from GSA and OMB officials. (See appendix I.)

Our review was conducted between April 1989 and March 1990 in accordance with generally accepted government auditing standards. We discussed this report with DOE headquarters officials. They generally agreed with the facts, and their comments and suggested changes have been incorporated where appropriate. However, as requested, we did not obtain official agency comments on this report.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of this letter. At that time, we will provide copies to the Secretary of Energy and other interested parties and make copies available to others upon request.

This work was performed under the direction of Victor S. Rezendes, Director, Energy Issues, (202) 275-1441. Other major contributors to this report are listed in appendix II.

Sincerely yours,



J. Dexter Peach
Assistant Comptroller General

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Abbreviations

DOE	Department of Energy
FTS	Federal Telecommunications System
GAO	General Accounting Office
GSA	General Services Administration
OIG	Office of Inspector General
OMB	Office of Management and Budget

Scope and Methodology

We reviewed pertinent laws, GSA regulations, GSA and OMB guidance, and DOE's telecommunications policies and procedures on FTS. We also examined past GAO and DOE Inspector General reports on FTS and a report for the President's Council on Integrity and Efficiency that addressed FTS use, control, and oversight at federal agencies.¹

We discussed DOE's policies, procedures, and oversight methods with officials of the Office of Computer Services and Telecommunications Management, Office of General Counsel, and Office of Inspector General at DOE headquarters in Washington, D.C. We also reviewed appraisals of DOE operations offices' telecommunications programs and data on the volume, frequency, length, and cost of DOE's FTS long-distance calls.

At DOE's Richland operations office in Richland, Washington, we reviewed FTS policies, procedures, and records of both the operations office and the major contractors. We discussed this information with operations office officials such as the Telecommunications Manager and head of the Telecommunications Branch. Because the telephone records for the Richland office did not show the telephone numbers from which the calls were made, as agreed with your office, we did not attempt to follow up on FTS calls to determine if they were made for official purposes.

To determine if FTS controls were different in other locations, we contacted telecommunications officials at DOE's other seven operations offices—Albuquerque, Chicago, Idaho, Nevada, Oak Ridge, San Francisco, and Savannah River—and obtained information on their FTS policies and procedures and oversight activities.

We obtained information on GSA's FTS billing and allocation process from officials of its Information Resources Management Service in Washington, D.C., and Vienna, Virginia. We also discussed FTS oversight problems and the new FTS 2000 system with them and obtained an explanation of privacy concerns related to telephone-call records from an OMB official in Washington, D.C.

¹Consolidated Report on Federal Telecommunications System (FTS) Utilization, Office of Inspector General, General Services Administration, (Washington, D.C.; Mar. 16, 1987).

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