

Executive Summary

The Office of Inspector General (OIG) has identified that inadequate internal controls exist within the Federal Communications Commission (FCC) to discourage employees from abusing their FCC provided cellular phones. Cellular telephone use currently costs the FCC 35¢ per peak minute and 15¢ per minute off peak for all local calls and carries an additional 10¢ per call land line fee, versus the ISDN (desk phones) flat rate of 9¢ per local phone call. If increased productivity and responsiveness to peers and customers accrue from the authorized use of cellular phones, then increased cost incurred through the authorized use of cellular phones may be more than offset by beneficial results to the Commission. Conversely, any cellular telephone call abuse has an adverse dollar impact on the FCC's operating budget. The best way for the FCC to ensure that cellular telephone abuse does not occur is by instituting an educational program for FCC cellular phone users and developing and applying sound internal control over this program area.

We identified that selected FCC employees did use their cellular phones in an abusive manner. We determined this by reviewing cellular phone bills for a judgmentally selected sample of employees whose individual phone bills averaged in excess of \$100 per month. Outgoing calls were matched against a CD-ROM package which identifies listed phone numbers as residential or business and provides the name and address of the party called. We found a pattern of phone calls being placed to personal residences, restaurants, automotive dealerships, etc. We followed up these initial findings by interviewing the employees who had made these calls and asking them to review their bills and notate whether calls were personal or business related. The results of our analysis and subsequent feedback from the employees questioned by our staff clearly show that a pattern of cellular phone abuse has occurred within the agency.

Three primary causes were identified that directly contributed to the identified cellular phone abuse: (1) although new users are provided with a memorandum outlining the proper use of cellular phone equipment on issuance, employees we interviewed consistently stated that they had not been provided with sufficient information regarding the cost of cellular phones and restrictions on their usage; (2) employees have differing perspectives as to what constitutes proper use of cellular phones; and (3) FCC program officials have not implemented adequate internal control measures to identify and address cellular phone abuse and effect collections for any unauthorized phone calls. Specifically, monthly cellular phone bills are subject to only limited review within the responsible office, the Associate Managing Director-Information Management (AMD-IM). Furthermore, individual bureaus and offices to whom the cellular phone users are assigned are not routinely provided copies of the cellular phone bill. Thus, they have no mechanism to comply with the FCC directive governing phone use. This Directive, FCCINST 1185.2, assigns responsibility to the "(i)mmediate supervisors ...for the proper management of telephone use within their jurisdiction."

The OIG fully endorses the prudent use of new technologies by FCC staff to increase staff productivity and responsiveness in these challenging times. However, in these times of fiscal constraint it is essential that the FCC maximize its fiscal resources and ensure that employees comply with applicable Federal rules and regulations. This report contains a number of recommendations which, upon adoption, will ensure that these dual objectives are met without placing undue burden on FCC staff or managers.

The OIG would like to thank those FCC staff members who provided assistance to this office during the conduct of our audit.

Audit Objective

The objective of this audit was to identify whether internal controls had been developed and implemented to mitigate the potential for abuse of FCC cellular phones by FCC personnel.

Audit Scope

We conducted our audit in accordance with Generally Accepted Government Audit Standards which included interviews, tests, analysis of programs and procedures, and such other tests we considered necessary.

The scope of this audit was limited to examining usage and billings of cellular phones issued to FCC employees assigned to the Washington D.C. metropolitan area. Our audit scope did not include reviewing cellular phones issued to FCC employees located in the field offices. We performed our audit fieldwork at Headquarters from October 1995 through May 1996.

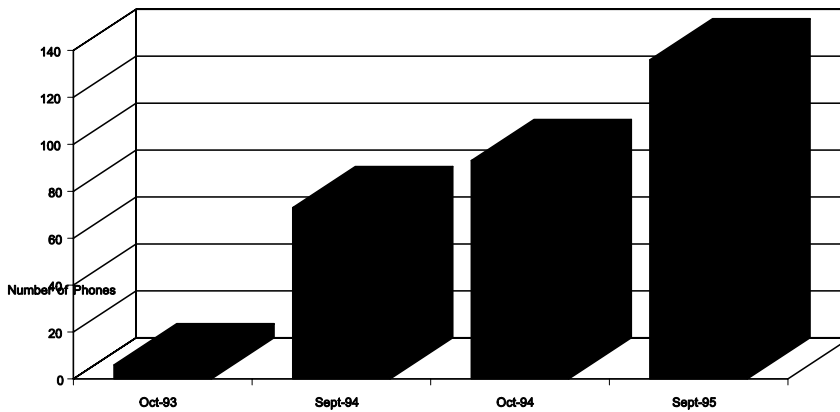
Our review of cellular phone billing records was limited to outgoing calls. Incoming call information is limited by Bell Atlantic Nynex Mobile to duration of call and billed amount. No detail as to from whom the call was placed is provided nor readily retrievable.

Background

In Fiscal Year 1993, the FCC maintained a cellular phone inventory of 6 telephones. Since that time, the Commission has experienced a rapid escalation in both cellular phone procurement and usage. As reflected in Table No. 1 below, the Commission, in the span of two years, has gone from an inventory of six cellular phones to over 130 cellular phones. This represents an increase of over 2100% during this period.

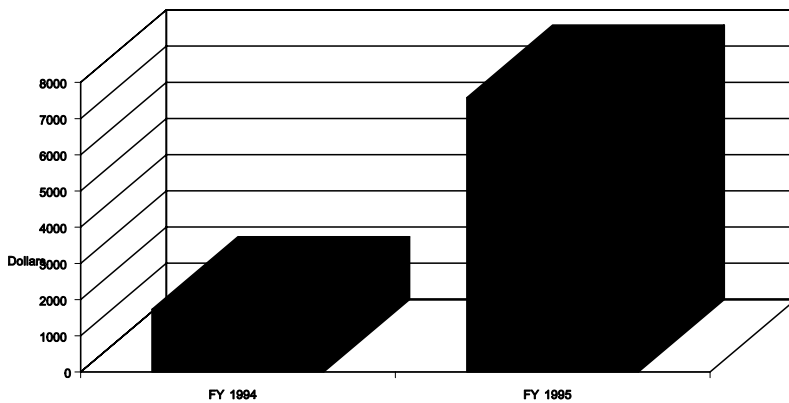
Furthermore, with the increase in individual cellular phones, the average monthly cellular telephone bills generated by Bell Atlantic Nynex Mobile to the FCC, have escalated from an average of \$1,731 per month in Fiscal Year 1994 to \$7,580 per month in Fiscal Year 1995 as reflected in Table No. 2 below.

Table No. 1: Number of Cellular Telephones at the FCC



The FCC has embraced the use of cellular phones as an efficient means of allowing employees to conduct business while being away from their official work station. A majority of the cellular phones purchased over the last two fiscal years were for use by Wireless Telecommunications Bureau (WTB), Auctions Division staff. At the end of Fiscal Year 1995, 44 (representing approximately 32%) of the 136 phones were assigned to auction staff. Costs associated with the purchase and usage of cellular phones for auction purposes were determined to be reimbursable under The Omnibus Budget Reconciliation Act of 1993, section (8) (B) of section 309 (j), entitled "Retention of Revenues."

Table No. 2: Average Monthly Cellular Telephone Bill



The requirement for managing cellular telephone use is addressed in Federal and Agency regulation. Title 41 of the Code of Federal Regulations (41 CFR 201-21.601), establishes the Federal Information Resources Management Regulation (FIRMR). The FIRMR states that agencies shall "issue directives on using TELEPHONE facilities and services" and that these directives "may provide further definition of calls necessary in the interest of the government and shall include procedures for collection and reimbursement for unauthorized calls." To address FIRMR requirements, the Commission has issued FCC Directive, FCCINST 1185.2, Subject: "Authorized Use of Government Telephone Systems."

THE FCC DOES NOT ADEQUATELY MONITOR CELLULAR TELEPHONE BILLS

The FCC did not adequately monitor employee usage of cellular telephones to identify potential abuse. We identified that the Commission has not fully developed and implemented appropriate levels of internal controls to address the inherent risk in this program area. Furthermore, employees receiving cellular phones were not adequately counseled regarding the proper use of the phones and related consequences of misuse or abuse of phone privileges. Specific criteria which defines appropriate use of telecommunications resources are contained in Title 41 of the Code of Federal Regulations (41 CFR 201-21.601) entitled "Federal Information Resources Management Regulation" (FIRMR). Title 41 CFR 201-21.601 directs Federal agencies to establish internal policy to ensure compliance with specific requirements contained within this Regulation. The failure to establish sound internal controls which provide adequate instruction to cellular phone users and to comply with FIRMR, has resulted in a program which is open to potential abuse. Indeed, patterns of employee abuse of cellular phones were detected during the conduct of the audit. Unless corrective measures recommended in this report are instituted, the Commission will continue to incur unauthorized expenses accrued by employees who stand in violation of ethical standards as they pertain to proper use of government assets.

Abusive Phone Practices are not Detected by Responsible Officials

We identified that the FCC does not have an adequate mechanism for monitoring employee usage of cellular phones. Presently, the staff within the Telecommunications Section of AMD-IM is charged with reviewing monthly telephone billing records and identifying potential instances of abuse. As part of our review, we interviewed representatives from the Telecommunications Section to determine what steps are taken to review bills. With regard to cellular phones, we were informed that the reviewing official has developed internal criteria for addressing this mission. The criteria used to isolate potential abuse is as follows:

- o high percentage of calls placed in off peak periods (evening and weekends);
- o exceptionally long calls;
- o long distance calls to unrecognized numbers; and,
- o cloning indicators.

To identify whether these limited indicators of potential abuse were uniformly applied to detailed billing records provided by Bell Atlantic Nynex Mobile, we judgmentally selected for testing over a seven month period, a sample of six employees whose monthly bills consistently exceeded \$100. Whereas AMD-IM identified 47 potentially abusive phone calls for these six employees, for the months January 1995 through July 1995, we identified 907. The net

difference being 860 phone calls. We met with the reviewing official and sought an explanation to address the significant discrepancy between our results and those derived by that office. At this meeting we were informed that the reviewing official perceives that he is not responsible for detecting all questionable calls. We raised this representation with his supervisor who stated that the reviewing official (who has numerous other collateral duties) was indeed responsible for identifying all questioned calls. The supervisor noted that severe staffing constraints have impeded her office from implementing adequate internal controls over employee phones. To address this internal control weakness, she has requested additional staffing be assigned to the Telecommunications Section.

We reviewed the criteria for detecting potentially abusive phone calls by AMD-IM and noted that only long distance calls or those frequently made on evenings or weekends were being isolated for potential review. Thus, calls to local exchanges made during hours associated with the traditional work day were excluded from scrutiny. As cellular phone bills are charged to the agency at the rate of 35¢ per minute prime time (plus a 10¢ line charge), a local call to a personal residence for ten minutes would result in a charge of \$3.60. On a ISDN phone, such a call would only result in a 9¢ total phone charge.

Using the same six employees over the same seven month billing period, we expanded AMD-IM's definition of potentially abusive phone calls to incorporate phone calls made to non-FCC exchanges. We procured a CD-ROM package entitled "Phone Disc" from a local vendor in order to determine whether the phone calls were made to a business or private residence as well as the address and name associated with the phone number. It should be noted that Phone Disc does not maintain data related to unlisted phone numbers. It also is limited in many cases to core numbers rather than individual exchanges. Thus if a company has a core phone number of 888-1000 and then has individual numbers such as 888-1001, 1002 etc. a check of the number 888-1001 may not lead to a hit on Phone Disc.

By including the revised criteria of identifying potentially abusive phone calls to incorporate local calls made during prime time hours, we identified an additional 2275 outgoing calls as questionable. These numbers were input into the Phone Disc software and results were compiled. An illustration of the results for one employee in our sample population who made 633 of the 2275 questioned calls or 28 percent, are broken down as follows:

- o 347 calls to restaurants, car dealerships, personal residences, banks etc., which appeared to be non-FCC related.
- o 71 calls to non-FCC exchanges which did not provide sufficient information for the auditors to reach any conclusion.
- o 214 calls which were not identifiable by Phone Disc.

- o 1 call which appeared to be FCC business related.

Employees Have Differing Perspective as to What Constitutes Proper Use of Cellular Phones

We met with the six employees and provided them with the results of our Phone Disc test. Employees were requested to review our findings and provide us with their input as to whether they considered the phone calls to be business related or personal in nature. It was during these interviews that we became aware of differing perspectives by individual as to what constitutes a proper use of FCC cellular phones. One employee informed us that he was provided a cellular phone by the FCC and felt he could use it for whatever occasion he deemed necessary. He further stated his belief that he was provided the technology by the FCC, so he was going to use it. Another employee stated that calls that we questioned, such as those to a pizza parlor, were appropriate to make from a cellular phone if they were running late and in a meeting.

The employees were asked whether they had received oral or written instructions on the authorized use of an FCC cellular phone. They all answered negatively. Three of the six employees informed us that they had previously been provided copies of their cellular phone bills by their supervisors. None of the employees could respond as to the cost per minute of using the cell phone vice their ISDN phones. One other point worth noting is that none of the employees questioned had received any form of orientation from Commission staff upon entering on board the agency to include such matters as appropriate use of government assets including cellular phones.

During meetings with responsible AMD-IM officials, we were informed that it is their practice upon issuance of a cellular phone to an employee to instruct them on the proper use of the phone and to provide them a memorandum entitled "Using the Motorola "Flip-Phone" for the First Time." This memorandum reflects the cost associated with the phone and instructs readers that "bills are carefully scrutinized." There is no receipt for the employee to sign to acknowledge that they received a copy of the memorandum or verbal instructions from AMD-IM staff.

At the conclusion of our field work we were informed by a program official within AMD-IM that "a memo to all cellular users advising them that FCC cellular phones are for FCC use only" would be drafted as a result of our audit findings.

Supervisors are Not Receiving Cellular Phone Bills for Review

We met with designated representatives from four bureaus (Common Carrier, Mass Media, Wireless Telecommunications and Compliance and Information) to identify their role in reviewing cellular phone bills of employees assigned to their units. FCCINST 1185.2 Subject: "Authorized Use of Government Telephone Systems," assigns responsibilities to immediate supervisors to ensure "proper management of telephone use within their jurisdiction." We note

that this emphasis of this directive is geared towards defining to all employees what constitutes a authorized phone call (e.g. calls to doctors, schools etc). Another directive, FCCINST 1185 Subject: "Certification of Long Distance Calls," which expired on November 10, 1993, dealt with the actual responsibilities incumbent in FCC officials (including bureau/office chiefs) to review and identify uncertified long distance calls and effect collection of amounts billed for unofficial calls.

We were informed by the bureau representatives that they are not aware of their responsibilities towards reviewing cellular phone bills. We noted that AMD-IM policy states that they are to transmit copies of employee cellular phone bills which exceed \$100 in a month and those containing questionable calls to bureaus and offices. Two of the four bureau representatives we met acknowledged that they had received monthly cellular phone bills associated with employees within their bureaus. These two bureau representatives told us that they had questioned the subject employees and provided them copies of their bills but only one had sought any remittance to the FCC for any of the calls documented on the bills.

Expiration of Directive Containing Call Certification Procedures

We identified that Directive FCCINST 1185 Subject: "Certification of Long Distance Calls," lapsed on November 10, 1993. This Directive contained specific policy as related to review and certification of long distance calls. No official within the Office of the Managing Director (OMD) could recall why this directive had lapsed without reissuance. Responsibilities incorporated under this directive were as follows:

- a. The Managing Director is responsible for the telephone call certification program and will ensure compliance with federal certification requirements 41 FR 201-38 and 5 CFR 735.205 required by law and the requirements of this directive.
- b. The Associate Managing Director- Operations is responsible for insuring that automation requirements needed to support the telephone call certification program are included in IRM planning and acquisition process.
- c. The Associate Managing Director for Information Management is responsible for providing necessary data automation services in support of the telephone call certification program.
- d. The Associate Managing Director- Human Resource Management is responsible for providing guidance to supervisors when disciplinary action is contemplated for the unauthorized use of FCC telephones.

e. The Chief, Operations Support Division is responsible for the FCC certification of long distance telephone calls charged to the government.

f. The Chief, Financial Management Division is responsible for collecting and accounting for reimbursements for the cost of unauthorized use of FCC telephones.

We note that these responsibilities were not replicated in any other FCC directive and that they were drafted in a time period in which cellular phones were not in place within the FCC. Thus the certification responsibilities were manifested in validating only long distance calls due to the financial implications of unauthorized long distance calls on the Commission.

OMD representatives informed us that they would act to update and reissue the expired directive and ensure that the accompanying FCC Form 206, Notification of Indebtness is provided to all bureaus and offices. This form was previously developed and incorporated with the directive. The form identifies to the employee the nature of the indebtness and instructs the employee upon how remittance should be accomplished. It also served as a tracking document within the agency.

Recommendation 1 of 3

The Associate Managing Director-Information Management develop procedures to ensure that all recipients of cellular phones are instructed on proper usage and made aware that their phone bills will be examined on a monthly basis. Procedures should incorporate a provision that employees receiving a cellular phone sign that they have received this orientation. Language should note that the failure to abide by FCC provisions on cellular phone usage will result in their making financial restitution the agency and could lead to rescision of the cellular phone privilege and potential referral to the agency Ethics Officer for appropriate action.

Management Response

The Managing Director has concurred with the recommendation and stated that they "will move the policy and procedure information for using the cellular telephone from the end of the current instruction sheet to a new access acknowledgement form." In addition, the Managing Director stated that "users will be required to sign to acknowledge that they have read the policy and responsibility statements (including penalties) and that they agree to comply."

Recommendation 2 of 3

The Managing Director update and reissue FCCINST 1185 Subject: Certification of Long Distance Calls. The directive should be expanded to encompass provisions necessary to certify that appropriateness of cellular phone calls placed by FCC employees and effect collections as warranted.

Management Response

The Managing Director has concurred with the recommendation and stated that they will "update and reissue the directive to provide guidance on certification of calls and will include procedures and instructions for users making reimbursement to the FCC for unauthorized personal calls."

Recommendation 3 of 3

The Managing Director update FCCINST 1185.2 Subject: Authorized Use of Government Telephone Systems to incorporate appropriate restrictions on use of cellular phones for incoming phone calls. Unlike ISDN phones, the Commission is charged by the by the minute by the carrier for long distance calls received by the employee.

Management Response

The Managing Director has concurred with the recommendation and stated that they will "rewrite FCCINST 1185.2 to incorporate special provisions pertaining to incoming cellular telephone calls."