Office of Audits
Office of Inspector General
U.S. General Services Administration

Improving the Telecommunications Order and Invoice Processing Could Benefit Customers of the Federal Acquisition Service's Network Services Division, Pacific Rim Region

Report Number A120164/Q/9/P14005
September 29, 2014

Office of Audits
Office of Inspector General
U.S. General Services Administration

REPORT ABSTRACT

OBJECTIVE

To determine whether the Network Services Division, Pacific Rim Region (Division) is processing telecommunication orders and invoices for federal customers in an accurate and timely manner.

Pacific Rim Region Audit Office (JA-9)
450 Golden Gate Avenue
Room 7-5262
San Francisco, CA 94102
(415)522-2744

Improving the Telecommunications Order and Invoice Processing Could Benefit Customers of the Federal Acquisition Service's Network Services Division, Pacific Rim Region

Report Number A120164/Q/9/P14005
September 29, 2014

WHAT WE FOUND

We identified the following during our audit:

Finding 1 – The Division is not ensuring customer telecommunication orders and billings are accurate, resulting in financial reporting inaccuracies.

Finding 2 – The Division's delay in transitioning customers' telecommunication orders is a missed opportunity for maximizing savings.

Finding 3 – The Division's invoices lack transparency which limits customers' ability to identify administrative surcharge fees.

WHAT WE RECOMMEND

We recommend the Acting Regional Commissioner of the Federal Acquisition Service, Pacific Rim Region:

1. Improve coordination and communication with the Financial Services Center by identifying, prioritizing, and resolving inventory and billing variances.
2. Perform monthly reconciliations of significant variances between Telecommunications Order and Pricing System and Telecom Invoice Management System by assigning adequately trained Division personnel.
3. Update and adhere to planned timelines and assign trained personnel to transition customer accounts to the local services acquisition contract.
4. Identify and address challenges faced in the current transition process in preparation for the next local services acquisition contract to avoid lengthy delays and lost opportunity savings.
5. Develop planning guidance to ensure timely transition of customers to the next local services acquisition contract.
6. Disclose on GSA customer invoices itemized costs associated with the Division's administrative surcharge fees or provide these fees as an attachment to the invoice.

MANAGEMENT COMMENTS

The Acting Regional Commissioner of the Federal Acquisition Service, Pacific Rim Region concurred with our recommendations. Management's comments can be found in their entirety in ***Appendix C***.

Office of Audits
Office of Inspector General
U.S. General Services Administration

DATE:	September 29, 2014
TO:	Tiffany Hixson Acting Regional Commissioner Federal Acquisition Service (9Q)
FROM:	Perla Corpus Audit Manager Pacific Rim Region Audit Office (JA-9)
SUBJECT:	Improving the Telecommunications Order and Invoice Processing Could Benefit Customers of the Federal Acquisition Service's Network Services Division, Pacific Rim Region Report Number A120164/Q/9/P14005

This report presents the results of our audit of the telecommunications order and invoice processing at the Network Services Division. Our findings and recommendations are summarized in the Report Abstract. Instructions regarding the audit resolution process can be found in the email that transmitted this report.

Your written comments to the draft report are included in ***Appendix C*** of this report.

If you have any questions regarding this report, please contact me or any member of the audit team at the following:

Perla Corpus	Audit Manager	Perla.Corpus@gsaig.gov	(415) 522-2733
Joseph Eom	Auditor-In-Charge	Joseph.Eom@gsaig.gov	(415) 522-2731
Sanford Weitzner	Auditor	Sanford.Weitzner@gsaig.gov	(415) 522-2749

On behalf of the audit team, I would like to thank you and your staff for your assistance during this audit.

Table of Contents

Introduction

The Network Services Division (the Division) assists customer agencies on a broad range of telecommunication solutions/services. The Division's goal is to obtain the lowest aggregate prices for these services through local services acquisition contracts and other acquisition vehicles.[1] The Division consists of a director, two branch chiefs and staff members who ensure customers receive requested telecommunication services. In addition, the Division works in partnership with the Federal Acquisition Service Financial Services Center (the Center) to identify quantities and rate discrepancies.

Inventory and billing systems used to track customer orders include the Telecommunications Ordering and Pricing System (TOPS) and the Telecom Invoice Management (TIM) system, respectively.[2]

The Division uses TOPS to manage the telecommunications services inventory. TOPS captures the following customer service actions:

- Service inventories;
- Orders for new lines, line features, directory listings, or special services;
- Disconnects, changes, or moves to telephone lines or features;
- Detailed telecommunications billing information; and
- Invoice reconciliations of telecommunications' inventories.

The Center enters data quantities and rates into the TIM system to manage and support the invoice reconciliation process. TIM primarily allows the Center to:

- Provide relevant financial reports;
- List vendor invoice data; and
- Identify inventory discrepancies.

With TIM designed to interface with TOPS, discrepancies between the two databases are captured in a monthly report. This report compares TOPS customer's inventory data to each customer's billing information. Discrepancies deemed significant are electronically forwarded to the Division. The Division is required to make adjustments to TOPS to resolve discrepancies or variances identified by the Center. Reconciling differences between TOPS and TIM on a monthly basis may preclude recurring discrepancies, reduce inventory and billing errors, and improve financial reporting.

The Division is transitioning customers' monthly telecommunication services in California to a local services acquisition contract, awarded on April 1, 2011. The

[1]Local services acquisition contracts are used to procure regional telecommunication services.
[2]TOPS and TIM are interfacing database systems managed by the Center in Atlanta, Georgia. We evaluated the process for billing and inventory, not the accuracy of the database amounts.

transition involves customers whose services are provided through tariff agreements[3] or the bridge contract.[4] The deadline to complete the transition for customers under the bridge contract was May 1, 2014.[5]

A total of 64,279 telephone lines, grouped into 116 system codes, with 678 contract agreements had to be transitioned from the bridge contract and/or tariff agreements to the awarded local services acquisition contract.[6] To transition existing services to a new local services acquisition contract, area telecommunication managers must allow competition for these existing services.[7]

The Center is tasked with entering vendor invoices into TIM, which results in an administrative cost. The Center allocates its administrative costs to the regional offices based on the number of contract agreements. These costs are subsequently passed on to Division customers. If the region reduces the number of contract agreements costs can be reduced; the more timely the reductions, the more savings achieved.

Our objective was to determine whether the Division is processing telecommunication orders and invoices for federal customers in an accurate and timely manner.

See ***Appendix A*** – Purpose, Scope, and Methodology for additional details.

---

[3]A tariff agreement is an alternative to a local services acquisition contract in purchasing telecommunication services. Depending on the service location, a public utility company sets the tariff rates charged to the customer agency. Generally, tariff agreement rates are higher than rates awarded under a local services acquisition contract.

[4]The bridge contract uses the same telecommunication rates under the prior California local services acquisition contract that expired on May 1, 2011. Without a bridge contract in place, customer agencies will pay the higher priced rates under tariff agreements.

[5]The bridge contract was not extended beyond May 1, 2014.

[6]The Division assigns a system code based on a geographical location. Within a system code, a contract agreement is established between the Division and customer agencies for recurring telecommunication services. A vendor invoice is generated for each contract agreement.

[7]The regional acquisition operations division is responsible for the competitive procurement process. The process involves sending a request for quote, evaluating all proposals, and awarding the contract.

Results

Finding 1 – The Division is not ensuring customer telecommunication orders and billings are accurate, resulting in financial reporting inaccuracies.

The Division is not ensuring customer telecommunication orders and billings are accurate because it is not resolving discrepancies between TOPS inventories and TIM billing systems. Consequently, payments to contractors may be inaccurate, which in turn affects the accuracy of financial reporting. The Office of Management and Budget (OMB) and the General Services Administration (GSA) issued guidance that requires reconciliations to ensure the accuracy of customer accounts and financial reporting.

We noted variances totaling $1.76 million between the two database amounts for fiscal year 2012.[8] For the first 6 months of fiscal year 2013, the variance was approximately $1.05 million as shown in *Figure 1.* In October 2012, for example, we noted 46 variances over $1,000 each.

Figure 1 – Variances between TOPS and TIM Databases From October 1, 2012, to March 31, 2013

Billing Period (Month Year)	Variance Amount
October 2012	$215,085
November 2012	$290,570
December 2012	$212,075
January 2013	$134,020
February 2013	$123,142
March 2013	$73,560
TOTAL	**$1,048,452**

The Center is required to meet prompt payment requirements designed to ensure that federal agencies pay contractors in a timely manner. Since the Division is not resolving or disputing variances, the Center is processing invoices for payment without adjustments. Consequently, GSA may be paying its telecommunication vendors for services not provided or erroneously invoiced.

In *Figure 2* on the following page, the data was extracted from the Center's Discrepancy Report and lists the most significant differences (positive and negative line items) for various system codes during the period October 1, 2012, through March 31, 2013.

[8]The variance represents the absolute value between TOPS (inventory) and TIM (billing systems) for each individual contract agreement.

Figure 2 – Examples of System Codes with the Most Significant Differences From October 1, 2012, through March 31, 2013

System Code	Billing Period	TIM Amount*	TOPS Amount*	Difference
		(a)	(b)	(c) = (a) - (b)
995	November 2012	$39,406	$0	$39,406
968	March 2013	$28,903	$6,352	$22,551
94J	December 2012	$14,669	$770	$13,899
904	February 2013	$45,721	$32,370	$13,351
98B	October 2012	$45,356	$32,632	$12,724
904	January 2013	$43,316	$32,496	$10,820
904	December 2012	$42,993	$32,564	$10,429
98B	December 2012	$42,636	$32,632	$10,004
904	November 2012	$41,810	$32,651	$9,159
905	October 2012	$8,891	$0	$8,891
99N	November 2012	<$15,451>	$21,996	<$37,447>
975[9]	October 2012	$2,822	$25,422	<$22,600>
975	December 2012	$2,822	$24,750	<$21,928>
975	November 2012	$2,822	$24,728	<$21,906>
99N	February 2013	$3,693	$21,996	<$18,303>
921	October 2012	$5,544	$13,530	<$7,986>
921	November 2012	$5,551	$13,530	<$7,979>
921	December 2012	$5,551	$13,530	<$7,979>
975[9]	October 2012	$1,265	$9,001	<$7,736>
95A	October 2012	$1,555	$8,336	<$6,781>

*Unaudited Amounts

To resolve variances, the Center sends significant monthly discrepancies to the Division mailbox for further action.[10] According to the Division Director, resolution of variances was not worth allocating resources because of the low dollar amounts. Furthermore, the Director assigned only one area telecommunication manager to resolve them. In addition, despite the Center's offer to provide in-house training for the mailbox resolution process, Division management did not allocate time for the assigned area telecommunication manager to receive formal training. To ensure quantities and rate variances are resolved, improved coordination and communication is needed between the Division and the Center.

To comply with OMB and GSA guidance, the Division must timely resolve monthly inventory and billing discrepancies. OMB Circular A-123 requires accurate financial reporting as an internal control objective. Requirements to reconcile interfacing databases, such as TOPS and TIM, were also addressed in a GSA memorandum, dated December 12, 2006, from the Chief Financial Officer (CFO). In addition, GSA Order 4260.2 P CFO Manual, Volume 2, *Financial Reporting Requirements*, states that

[9]These system codes in the same month are not duplicative because they are unique transactions representing different contract agreements.
[10]The Center's definition of significant discrepancies is based upon a percentage variance rather than dollar amount.

the objective of financial reporting is to provide management with timely and accurate financial information for making sound business strategic decisions.

Recommendations 1 and 2

We recommend the Acting Regional Commissioner of the Federal Acquisition Service, Pacific Rim Region:

1. Improve coordination and communication with the Financial Services Center by identifying, prioritizing, and resolving inventory and billing variances.
2. Perform monthly reconciliations of significant variances between TOPS and TIMS by assigning adequately trained Division personnel.

Management Comments

The Acting Regional Commissioner of the Federal Acquisition Service, Pacific Rim Region concurred with our recommendations and responded that action has been taken to address them. Management's written comments to this report are included in their entirety as ***Appendix C****.*

Finding 2 – The Division's delay in transitioning customers' telecommunication orders is a missed opportunity for maximizing savings.

The Division is not transitioning existing customer telecommunication services to the local services acquisition contract, *i.e.*, LSA II, in a timely manner due to the lack of planning, which includes prioritizing a Central Office project over regional projects, and inadequate resource allocation. As a result, Division customers, especially those under tariff agreements, are not able to benefit from the lower priced rates offered in the LSA II contract. Additionally, the Region could have incurred lower administrative costs through consolidation if the transition to the LSA II contract was timely completed.

Between the award of the LSA II contract on April 1, 2011, and December 31, 2012, the Division had transitioned only 26 of the 116 system codes (or 22 percent). For 24 of 26 system codes that transitioned from tariff agreements to the LSA II contract, the Division missed an opportunity to maximize savings of nearly $576,000 for its customers (see *Figure 3* on the following page).[11]

[11]The $576,000 represents the maximum savings that could have been realized had the Division transitioned the 24 system codes for the 21-month period beginning on the contract award date of April 1, 2011.

Figure 3 – Maximum Opportunity Savings Due to Untimely Transition as of December 31, 2012

System Code	Months Elapsed since Contract Award Date	Monthly Pricing Difference[12]	Maximum Opportunity Savings
	(a)	(b)	(c) = (a) x (b)
911	7.69[13]	$334	$2,568
927	17.42	$557	$9,703
929	11.47	$823	$9,440
930	18.05	$378	$6,823
932	15.81	$2,354	$37,217
934	15.88	$3,476	$55,199
937	20.22	$328	$6,632
948	18.64	$34	$634
949	19.00	$546	$10,374
950	19.00	$106	$2,014
958	12.76	$161	$2,054
962	19.00	$8,482	$161,158
98B	8.02	$246	$1,973
90A	20.38	$1,201	$24,476
90B	16.70	$381	$6,363
90E	18.61	$718	$13,362
91D	12.76	$177	$2,259
94G	20.12	$477	$9,597
94Q	16.57	$4,460	$73,902
95C	13.05	$2,893	$37,754
95E	19.07	$1,324	$25,249
95I	20.71	$1,717	$35,559
97M	19.23	$1,079	$20,749
97S	16.01	$1,305	$20,893
		TOTAL	**$575,952**

For the remaining 90 system codes, we estimate lost savings of $1.95 million by multiplying the actual savings per line to the number of lines not yet transitioned. The

[12] We calculated the difference in pricing for customers transitioning from the bridge contract and/or tariff accounts to the LSA II contract.

[13] To calculate months elapsed, we determined total days from the LSA II award date of April 1, 2011, to the completed transition date, then converted the total days to months. For example, under system code 911, total days to complete transition was 234 days (from April 1 to November 21, 2011), which equates to 7.69 months (234 days x 1 year/365 days x 12 months/1 year).

Division should focus its efforts in transitioning customers under the higher priced tariff agreements. For details, see ***Appendix B***.

The Division could have reduced administrative costs had the transition to the LSA II contract been more timely. For fiscal year 2012, the Center's total administrative costs were over $6 million, of which 22 percent (or $1.3 million) was allocated to the Division. The Center's personnel stated that the Pacific Rim Region paid the most in reimbursing the Center's costs compared to other regions. The bulk of administrative costs included entering contractor invoices into TIM based on contract agreements, which includes separate tariff agreements and the bridge contract.

To decrease administrative costs, the Division is reducing the number of contract agreements through consolidation. Prior to the LSA II contract award, the 26 system codes included 151 contract agreements. Upon completion of the transition to the LSA II contract, the number of contract agreements will be reduced to 36 (a 76 percent reduction). The reduction should result in a decrease of administrative costs for the Center.

There were two primary reasons for the untimely transition to the LSA II contract: inadequate planning and lack of personnel allocation.

First, the Division lacked adequate planning for its telecommunication projects. From February 2008 through July 2012, the Division focused its work efforts on a Central office-directed program. As a result, the majority of the work on the transitioning of customers' accounts from the bridge contract and/or tariff agreements to the awarded LSA II contract on April 1, 2011, was not initiated until May 2012. Further, a branch chief specializing in transitioning telecommunication accounts was not hired until May 2012, 13 months after contract award. In August 2012, the branch chief developed a detailed timeline for the transition process.

Second, the Division did not adequately allocate resources to ensure that the August 2012 transition plan was achieved. As of December 31, 2012, 17 percent (26 of 151) of the bridge contract agreements had been transitioned to LSA II. Of 14 area telecommunication managers, 5 were assigned to transitioning customers' services with two dedicated to the LSA II contract. Moreover, prior to hiring the branch chief, the two area telecommunication managers followed different procedures in transitioning customer accounts.

A Government Accountability Office (GAO) report noted weaknesses in a major GSA telecommunication transition program.[14] For this particular program involving long distance service, GAO identified delays resulting from complex acquisition processes, weak project planning/lack of execution, and unclear management guidance. This long distance transition project resulted in a 3-year delay. The completion of the LSA II

[14]Government Accountability Office report *Telecommunication: GSA Needs to Share and Prioritize Lessons Learned to Avoid Future Transition Delays*, December 2013 (Report Number GAO 14-63).

transition will also result in a 3-year delay for completion with similar difficulties as those encountered in the long distance transitioning project.

Although Division management confirmed that there were delays to transition customers and that it should have been completed sooner, they concluded that customers were not financially harmed given that the bridge contract was in effect through May 1, 2014. The untimely transition resulted in lost opportunity savings to Division customers and to the region. Specifically, the lost savings affected those customers under tariff agreements that were not transitioned timely to lower rates under the LSA II contract. Further savings opportunities existed for the Division with a reduction in administrative costs resulting from consolidating contract agreements.

The LSA II contract, with all options exercised, is due to expire on March 31, 2016. The Division should begin addressing how to mitigate or avoid the pitfalls encountered in the transitioning of customer accounts in preparation for award of the next local services acquisition contract. Therefore, it is imperative for the Division to immediately assess the challenges it encountered in transitioning customers from either the bridge contract or tariff agreement to the LSA II and then develop proper planning guidance.

Recommendations 3, 4, and 5

We recommend the Acting Regional Commissioner of the Federal Acquisition Service, Pacific Rim Region:

3. Update and adhere to planned timelines and assign trained personnel to transition customer accounts to the local services acquisition contract.
4. Identify and address challenges faced in the current transition process in preparation for the next local services acquisition contract to avoid lengthy delays and lost opportunity savings.
5. Develop planning guidance to ensure timely transition of customers to the next local services acquisition contract.

Management Comments

The Acting Regional Commissioner of the Federal Acquisition Service, Pacific Rim Region concurred with our recommendations. In addition, the management response provided a status on the percentage completion of the transition process for all its telecommunication customers, which includes California and is addressed on this report, Hawaii, Arizona, and Nevada. Management's written comments to this report are included in their entirety as ***Appendix C.***

Finding 3 – The Division's invoices lack transparency which limits customers' ability to identify administrative surcharge fees.

The Division does not provide its customers with itemized invoices. This lack of transparency precludes customers from verifying surcharge fees.

Based on a judgmental sample of customer invoices, the Division is not disclosing two types of administrative surcharge fees: (1) a fee applied to all customers and (2) an additional service-related fee applied only to certain customers. In fiscal year 2012, all regional customers were charged an administrative surcharge fee of 35.38 percent, which reimburses Division and Central Office administrative costs and is applied to the total invoiced amount.[15] The second fee or service-related charge is imposed only on customers with unique, supplemental telecommunication needs, such as a significant volume of monthly service lines. This charge may vary, but it is applied to the total invoiced amount. For fiscal year 2013, we calculated an average service-related charge to Division customers at 22.66 percent. Although the Division's position is to not disclose administrative surcharge fees on its invoices, officials stated that the fee information would be provided to customers if requested. Surcharges could be as much as 58 percent (35.38 percent plus 22.66 percent). This lack of transparency prevents customers from knowing the administrative surcharge fees assessed by the Division.

Therefore, the Division should fully disclose all administrative surcharge fees on its invoices. By providing full disclosure, transparency may be improved by increasing customers' ability to verify these surcharge fees.

<u>Recommendation 6</u>

We recommend the Acting Regional Commissioner of the Federal Acquisition Service, Pacific Rim Region:

6. Disclose on GSA customer invoices itemized costs associated with the Division's administrative surcharge fees or provide these fees as an attachment to the invoice.

<u>Management Comments</u>

The Acting Regional Commissioner of the Federal Acquisition Service, Pacific Rim Region concurred with our recommendation. However, the response indicated that no national policy exists to ensure consistency between regional Network Services Divisions. Management's written comments to this report are included in their entirety as ***Appendix C***.

Other Observations

We note an issue that we bring to management's attention. Although there is no recommendation, Division management should be aware of our concern regarding a component in the surcharge.

[15] The surcharge rate can vary each fiscal year depending on the Division's projected administrative costs to manage regional telecommunications operations.

Since the inception of the telecommunication program, the Division is charging its customers a planned contribution rate[16] to offset future losses such as the loss of revenue due to customers no longer requiring Division services in the current year. According to Division and Center personnel, this projected charge is needed to factor for contingencies and transferred to a reserve fund. In the Pacific Rim Region, a total of approximately $2 million was transferred to this reserve fund during the 6-year period ended September 2012.[17]

A GAO report noted that GSA should improve its fee structure.[18] Although the report did not specifically address Division operations, it recommended that GSA develop and implement guidance for evaluating current fee rates when an individual program consistently transfers monies to GSA's reserve funds. In this instance, the Division, under the direction of GSA, is including a projected customer contribution rate to benefit the reserve fund and not its customers.

---

[16]The planned contribution rate is a component applied in the surcharge calculation along with the regional and Central office administrative costs addressed in Finding 3.
[17]Network Service Divisions, 11 regions nation-wide, transferred over $170 million during the same period.
[18]GAO report *Interagency Contracting, Improvements Needed in Setting Fee Rates for Selected Programs*, September 2011 (Report Number GAO 11-784).

Conclusion

The Division is not processing customer telecommunication orders and billings in an accurate and timely manner. Specifically, the Division is not addressing and resolving transactions with significant variances identified by the Center, as required. Secondly, the Division is not transitioning telecommunication accounts timely. Because of these deficiencies, the Division may not be maximizing customer savings. Furthermore, Division invoices to customers lack transparency because they do not provide details on administrative surcharge fees. By providing full disclosure, transparency may be improved by increasing customers' ability to verify these surcharge fees.

The Division is not resolving variances between TOPS inventories and TIM billing systems, which is contrary to OMB Circular A-123 and GSA guidance. To resolve variances, the Division should address inventory and billing variances with the Center to identify, prioritize, and resolve material variances. The Division should allocate properly trained staff to conduct monthly reconciliations and resolve the differences between TOPS and TIM amounts.

The Division did not transition existing customer telecommunication services to the local services acquisition contract in a timely manner due to the lack of planning, which included prioritizing a Central office project over regional projects and inadequate resource allocation. As a result, opportunity savings of nearly $576,000 were not realized for 24 of the 26 system codes. For the remaining 90 system codes not yet transitioned as of December 31, 2012, opportunity savings total nearly $2 million.

To minimize delays in transitioning customer accounts to future local services acquisition contracts, the Division must first identify and assess problems encountered during the transition process. Then, the Division should develop a plan with proper guidance and detailed timelines to avoid similar problems. Through better transition planning, the Division could achieve telecommunication savings for its customers.

Appendix A – Purpose, Scope, and Methodology

Purpose

This is the second telecommunications audit included in the Office of Inspector General Audit Plan for fiscal year 2012. This audit focused on the Federal Acquisition Service, Network Services Division (the Division), Pacific Rim Region, telecommunications order and invoice processing.[19]

Scope

Our audit primarily focused on the Division's telecommunication transactions in California from August through December 2012.

Methodology

To accomplish the audit objective, we:

- Reviewed relevant criteria, including the Office of Management and Budget Circular and GSA financial management policies;
- Interviewed the Division's regional director, two branch chiefs, and staff members;
- Interviewed Financial Services Center personnel including the director and regional and Central office employees;
- Reviewed bridge Contract (Contract Number GSQ0913DLD006) and LSA II Contract (GS09Q11DLD7006);
- Obtained and analyzed monthly variance reports from the Financial Services Center;
- Determined the total number of system codes (either under a tariff agreement or the bridge contract) that the Division was required to transition to the LSA II contract through December 31, 2012;
- Obtained documents from the regional Acquisition Operations Division to support new and prior telecommunication rates;
- Calculated opportunity savings for Division customers that have transitioned from a tariff agreement to the LSA II contract based on the award and final transition dates;
- Estimated lost savings for 90 system codes not yet transitioned to the LSA II contract;
- Obtained and evaluated Division financial statements; and
- Verified administrative surcharges assessed to Division customers.

[19] Telecommunication services offered by the Division are generally managed at the regional level.

Appendix A – Purpose, Scope, and Methodology (cont.)

We conducted the audit from August to December 2012 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Internal Controls

The scope of our work was limited to addressing the objective of this audit. Thus, our assessment and evaluation of internal controls was restricted to those issues identified in the Results section of this report.

Appendix B – Calculating Maximum Opportunity Savings

We calculated maximum opportunity savings for the 90 system codes not yet transitioned to the LSA II contract as of December 31, 2012. Our calculation was based on the remaining 49,640 line count and a savings ratio for the 26 transitioned system codes as shown below:

Total Line Count for 116 System Codes		64,279
Total Line Count for 26 Transitioned System Codes	a	<14,639>
Total Line Count for 90 Remaining System Codes	b	49,640
Total Savings for 26 Transitioned System Codes	c	$575,952
Total Savings per Line Count	c/a = d	$39.34
Maximum Opportunity Savings for 90 System Codes	**b x d**	**$1,952,838**
		=========

Appendix C – Management Comments

GSA

GSA Pacific Region

September 17, 2014

MEMORANDUM FOR HILDA GARCIA
REGIONAL INSPECTOR GENERAL FOR AUDITING
OFFICE OF AUDITS

THRU: RUTH F. COX Ruth F Cox
REGIONAL ADMINISTRATOR (9A)
PACIFIC RIM REGION

FROM: TIFFANY HIXSON
Digitally signed by: TIFFANY HIXSON
DN: CN = TIFFANY HIXSON C = US O = U.S. Government OU = General Services Administration
Date: 2014.09.17 21:00:42 -07'00'
REGIONAL COMMISSIONER, NORTHWEST ARCTIC REGION
ACTING REGIONAL COMMISSIONER, PACIFIC RIM REGION

SUBJECT: Response for the Auditing of Telecommunications Order and Invoice Processing FAS/NSD, Pacific Rim Region
Report Number A120164

We appreciate the opportunity to respond to the subject Audit report, which was issued on August 27, 2014. The attachment delineates our responses to the Report's findings.

As noted in our responses outlined in the attachment, FAS/NSD has already created, formalized, and implemented corrective action plans. These have been previously submitted to the OIG and the GSA Audit Response Branch (H1A) and, as such, there is no need to duplicate this effort since the deliverables should already be on file.

Thank you for the opportunity to review the subject report. Should you have any questions, please feel free to contact Bernard (Bill) Caton at (415) 522-4536 or via email at bernard.caton@gsa.gov.

Attachments

cc: William Sisk, Deputy Commissioner, FAS
Mary Davie, Assistant Commissioner, ITS, FAS
Amando Gavino, Network Services Director, ITS, FAS

U.S. General Services Administration
50 United Nations Plaza
San Francisco CA 94102
www.gsa.gov

Attachment

Management Responses to Findings
OIG NSD Auditing After Exit Conference Sep 4 2014

Finding 1 – The Division is not ensuring customer telecommunication orders and billings are accurate, resulting in financial reporting inaccuracies

Management Response:
Concur, but effectuated correction. A ticketing system and a process have been in place (R9-TSR) since August, 3, 2012 for customers to be able to send centralized and controlled requests for Moves, Adds, Changes and Deletes. An order can't be processed unless this system and its related process are utilized.

All orders are put in TOPS upon receipt.

Contracting Officers always approve and sign each order before they are submitted to vendors.

When there is a need to utilize tariff pricing, an approval process created by NSD is utilized. The process named "Guidelines to Keep Services on Tariff Rates for Systems Transitioning to Local Services Agreement 2 (LSA2)" has been delivered to OIG in a previous interaction.

Finding 2 – The Division's delay in transitioning customers' telecommunication orders is a missed opportunity for maximizing savings

Management Response:
Concur, and are in the process of effectuating correction. Correction is still depending on ongoing transition projects. The transitions for the various locations within the region are either complete or very advanced. The contract bridge date has been met for all systems.

The Hawaii LSA2 Transition was initiated in August 2012, and completed in January 2014.

The California LSA2 Transition was initiated in October 2011 and is at 96.05% completion (62,172 services of a total 64,731) and an additional 3.95% of the services are in progress (2,555 services). Currently all services in this contract are now either transitioned or in the process of being transitioned. The large majority of systems not transitioned are waiting for cutovers (change from incumbent vendor to new vendor). To date, the number of Contract Agreements (CA's) has been optimized from the initial (est.) 654 to 215.

The Arizona Nevada LSA2 Transition was initiated in December 2013 is at 68.19% completion (1,835 services of a total 2,691) and an additional 27.83% of the services are in progress (749 services). The completion of this project is estimated to happen by the second quarter of FY15. To date, the number of Contract Agreements (CA's) has been optimized from the initial (est.) 105 to 85.

The requirements contract for the Arizona Nevada LSA2 Transition is estimated to achieve savings for the client agencies and taxpayers. It may be too early to quantify but the major objective of each one of these transitions is to save money and utilize processes that make sense.

Finding 3 – The Division's invoices lack transparency which limits customers' ability to identify administrative surcharge fees

Management Response:
Concur. Some regions may provide this kind information to customer agencies, but no national policy is in place to ensure consistency across FAS. We will elevate the findings of this report to FAS's Information Technology Service's Network Services Program Office for action.

Appendix D – Report Distribution

Commissioner (Q)

Acting Deputy Commissioner (Q1)

Chief of Staff (Q0A)

Controller (BF)

Regional Administrator (9A)

Acting Regional Commissioner, Federal Acquisition Service (9Q)

Acting Deputy Regional Commissioner, Federal Acquisition Service (9Q)

Regional Counsel (LD9)

Network Service Division Director, Federal Acquisition Service (9QTC)

Branch Chief, GAO/IG Audit Response Division (H1C)

Assistant Inspector General for Auditing (JA)

Deputy Assistant Inspector General for Investigations (JID)

Director, Audit Planning, Policy, and Operations Staff (JAO)