



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

**Audit of the Administration of Regional
Local Telecommunications Services Contracts,
Northeast and Caribbean Region**

*Report Number A130010/Q/2/P14003
August 11, 2014*



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

REPORT ABSTRACT

OBJECTIVES

The objectives of our audit were to determine whether:

- Network Services Division (Network Services) is effectively managing its workload to ensure that Regional Local Telephony Contracts (RLTCs) in the Northeast and Caribbean Region are administered efficiently and timely. If they are not, determine the impact and recommend corrective action; and
- Customers are billed at agreed-upon RLTC rates.

**Northeast and Caribbean Region
Audit Office (JA-2)
26 Federal Plaza
Room 1751
New York, NY 10278
(212) 264-8620**

Audit of the Administration of Regional Local Telecommunications Services Contracts, Northeast and Caribbean Region

Report Number A130010/Q/2/P14003

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WHAT WE FOUND

We identified the following during our audit:

Finding 1 – The absence of a team lead for Network Services IT Managers results in inefficient administration of RLTCs.

Finding 2 – Inadequate training requirements for IT Managers result in inefficient administration of RLTCs.

Finding 3 – Customers are billed an undisclosed markup due to a lack of transparency in the billing process.

WHAT WE RECOMMEND

Based on our audit findings we recommend that the Regional Commissioner, Northeast and Caribbean Region:

1. Establish a permanent team lead position within Network Services.
2. Implement a policy that requires Network Services Information Technology Managers (IT Managers) to complete specialized training to ensure that they have the necessary skills to efficiently administer RLTCs.
3. Develop and implement an on-the-job training plan to assist less experienced IT Managers in acquiring the skills necessary to administer contracts, regardless of complexity.
4. Require Network Services to establish formal agreements with customer agencies that set terms and conditions, and outline all pricing components including the RLTC rates that GSA pays to vendors.
5. Implement a policy that requires full disclosure of all administrative surcharges by clearly itemizing customer invoices.

MANAGEMENT COMMENTS

Management agreed with our findings and recommendations, and has already begun taking steps to correct specific issues. Management comments are included in **Appendix B**.



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

DATE: August 11, 2014

TO: Jeffrey Lau
Acting Regional Commissioner, FAS, Northeast and Caribbean
Region (2Q)

FROM: Mark Rothschild *Mark Rothschild*
Audit Manager
Northeast and Caribbean Region Audit Office (JA-2)

SUBJECT: Audit of the Administration of Regional Local Telecommunications
Services Contracts, Northeast and Caribbean Region
Report Number A130010/Q/2/P14003

This report presents the results of our audit of the administration of Regional Local Telecommunications Services Contracts in the Northeast and Caribbean Region. 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 B** of this report.

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

Mark Rothschild Audit Manager mark.rothschild@gsaig.gov (212) 264-8637
Gregory Ventola Auditor-In-Charge gregory.ventola@gsaig.gov (212) 266-3361

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

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Introduction

The Northeast and Caribbean Region's (Region 2) Federal Acquisition Service (FAS) provides telecommunications services contracts for federal agencies in New York, New Jersey, Puerto Rico, and the U.S. Virgin Islands. These contracts provide federal government users continuity of services and a measure of price stability for local telecommunications services. The Network Services Division (Network Services) assists customer agencies in obtaining comprehensive telecommunications services at the lowest aggregate prices. Network Services consists of a Director, six contracting staff team members, and seven Information Technology Managers (IT Managers) responsible for assisting customer agencies in defining requirements, identifying solutions, ordering services, and managing telecommunications services, including billing operations.¹

IT Managers also record and complete sales transactions using FAS's Telecommunications Ordering and Pricing System for billing.² In the monthly billing process, telecommunication vendors bill the General Services Administration (GSA) through the Financial Service Center. GSA pays the vendors and then seeks reimbursement from Network Services customers. Network Services sales are primarily from monthly telecommunication services (also known as recurring services), designated B1, and expanded services (also known as non-recurring services), designated B3.³

Network Services is currently in the process of transitioning customers from Local Service Contracts to Regional Local Telephony Contracts (RLTCs).⁴ This process includes moving services for the majority of customers from incumbent vendors under the Local Service Contracts (Verizon and AT&T) to the awarded vendor under RLTCs, Windstream Communications.

The objectives of our audit were to determine whether: (1) Network Services is effectively managing its workload to ensure that RLTCs in the Northeast and Caribbean Region are administered efficiently and timely. If they are not, determine the impact and recommend corrective action; and (2) customers are billed at agreed-upon RLTC rates.

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

¹ A contracting officer from Assisted Acquisition Services was temporarily assigned to the position of Acting Deputy Director to assist in the transition to RLTCs. This assignment ended on August 30, 2013.

² This system is managed by FAS's Financial Service Center in Atlanta, Georgia.

³ In fiscal year 2013, revenue generated from B1 services represented \$13.1 million or 66.3 percent of total sales. Revenue generated from B3 services represented \$6.5 million or 32.7 percent of total sales. In addition, the region generates a small amount of sales from toll call charges, designated B4.

⁴ Similar to the expiring Local Service Contracts, RLTCs have a 5-year term that consists of an initial 2-year period of performance followed by three 1-year option periods. This gives Network Services an opportunity to evaluate price reasonableness during years 3 through 5 and renegotiate, if necessary.

Results

Finding 1 – The absence of a team lead for Network Services IT Managers results in inefficient administration of RLTCs.

The current organizational structure of Network Services in Region 2 does not promote efficient administration of RLTCs. Specifically, the absence of a team lead causes an imbalanced workload and fewer opportunities for skill development of IT Managers.⁵

The structure of Network Services' Telecommunications Operations Branch consists of a Division Director and seven IT Managers.⁶ As a result of this setup, the Division Director serves as the direct supervisor to all Network Services employees. Previously, Network Services had two team leads; however, these positions were eliminated in 2012. According to Network Services' Division Director, a team lead position was not reestablished because a qualified candidate could not be found to fill the position. Additionally, hiring limitations were imposed on Network Services during GSA's Top-to-Bottom review.⁷

Network Services personnel indicated greater efficiency during the period when team leads were in place. In addition, several other regional Network Services offices have one or more team leads providing a level of supervision between the Division Director and IT Managers. An appropriate level of supervision is an important aspect of an organization's control environment. The Financial Audit Manual, jointly issued by the U.S. Government Accountability Office and the President's Council on Integrity and Efficiency, cites the following as conditions that may indicate internal control weaknesses:⁸

- Supervision of employees does not compensate for lack of knowledge and skills in their specific jobs.
- The number of supervisors is inadequate or supervisors are inaccessible.

Based on our discussions with Network Services personnel, the following are several adverse effects resulting from the absence of a team lead:

- Minor issues that should be resolved by the staff, such as customer complaints and billing disputes, are being escalated to the Division Director.
- The Division Director becomes responsible for distributing the overall workload without detailed knowledge of IT Managers' day-to-day assignments. As a result, complex customers and orders are often reassigned to more experienced IT Managers, regardless of their current assignments. This causes an imbalanced

⁵ For purposes of this report, the description of a team lead includes official supervisory authority.

⁶ Currently, Network Services is rotating Region 2 IT Managers into a temporary supervisory position.

⁷ GSA's Top-to-Bottom review was an agency initiative that examined how GSA could best fulfill its mission to deliver the greatest possible value to the American people and its federal partners.

⁸ GAO/PCIE FAM 295 B.03

workload because the more experienced IT Managers must handle additional customers that should have been assigned to other IT Managers.

- IT Managers must resolve issues on their own, rather than sharing resources and knowledge through collaboration with a supervisor.
- IT Managers have limited opportunity to gain supervisory skills due to a lack of promotion potential within Network Services. This leads to a negative effect on employee morale.
- Limited opportunity for less experienced IT Managers to receive on-the-job training, resulting in a lack of skill development.

The establishment of a permanent team lead position within Network Services should improve the efficiency of RLTC administration, reduce the skill gap amongst IT Managers, and balance the overall workload.

Recommendation 1

We recommend that the Acting Regional Commissioner, Northeast and Caribbean Region:

1. Establish a permanent team lead position within Network Services.

Management Comments

In its comments, management agreed with our finding and has already begun taking steps to address our recommendation (see **Appendix B**).

Finding 2 – Inadequate training requirements for IT Managers result in inefficient administration of RLTCs.

Network Services management does not require or encourage IT Managers to take specialized training related to the administration of RLTCs. As a result, some IT Managers lack the skills necessary to perform certain job functions effectively, creating a skill gap between experienced and less experienced IT Managers. This skill gap leads to an imbalanced overall workload because complex orders are often only assigned to the experienced IT Managers.

The Federal Acquisition Certification-Contracting Officer Representative (FAC-COR) Program requirements are governed by the *September 6, 2011 OMB Revisions to the FAC-COR*. To maintain Level II or Level III FAC-COR certification, IT Managers are required to earn 40 hours of Continuous Learning Points every 2 years.⁹

As Contracting Officer Representatives, all IT Managers are responsible for duties related to contract planning, formation, and management; topics typically covered by

⁹ All Network Services IT Managers in Region 2 have previously met the requirements to obtain Level II or Level III FAC-COR certification. All IT Managers met the Continuous Learning Points requirements for the most recently completed 2-year training period.

current training standards. However, Network Services IT Managers are required to perform several job functions unique to the telecommunications industry, such as:

- Conduct comprehensive analysis and in-depth studies on a broad range of information technology issues impacting both current and evolving technology.
- Establish and maintain liaisons with all levels of users of network services (including telecommunications) to determine information technology needs including current and anticipated voice, record, and data requirements for complex projects.
- Provide user training to customers on information technology equipment.
- Receive, research, and resolve the full range of customer complaints that arise with respect to GSA provided equipment or services.

IT Managers need to incorporate specialized training into their bi-annual training requirement to ensure that they have the necessary skills to efficiently administer RLTCs. The insufficient skill sets of some IT Managers result in Network Services management assigning complex orders to more experienced IT Managers, regardless of workload distribution. In turn, less experienced IT Managers are limited in their opportunity to develop the necessary skills to effectively perform their jobs.

Network Services management should assess the skill sets of each IT Manager and utilize the ***FAS Integrated Technology Services (ITS) University Training Plans*** to create customized, individual training and development plans that aim to improve IT Managers' proficiency in all ITS core competencies.¹⁰ The implementation of this policy, along with the development of an on-the-job training plan, would reduce the skill gap amongst IT Managers and, ultimately, balance the workload within Network Services.

Recommendations 2 and 3

We recommend that the Acting Regional Commissioner, Northeast and Caribbean Region:

2. Implement a policy that requires Network Services IT Managers to complete specialized training to ensure that they have the necessary skills to efficiently administer RLTCs.
3. Develop and implement an on-the-job training plan to assist less experienced IT Managers in acquiring the skills necessary to administer contracts, regardless of complexity.

¹⁰ The FAS ITS University Training Plans for Workforce Development list the eight core competencies as: Acquisition, Communication, Customer Service, Leadership, Management and Supervision, Program Management, Project Management, and Technology.

Management Comments

In its comments, management agreed with our finding and has already begun taking steps to address our recommendations (see **Appendix B**).

Finding 3 – Customers are billed an undisclosed markup due to a lack of transparency in the billing process.

Network Services does not have written agreements with its customers and does not provide them with itemized invoices that show billing details. This allows Network Services to charge an additional undisclosed markup and not pass cost savings along to its customers.

Under RLTCs, Network Services and a selected vendor have an agreement which outlines telecommunications services and associated rates that can be offered to customer agencies. However, there is no formal agreement between Network Services and customer agencies. Rather, there is an informal agreement via email outlining the services to be provided and respective pricing. Without formal agreements that outline rates and set binding prices, Network Services has the ability to mark up RLTC rates to improve its financial performance.

We analyzed a judgmental sample of customer billings and were unable to reconcile invoiced amounts for several Contract Line Item Numbers (line items) to agreed-upon RLTC rates. A representative of the Financial Service Center explained that, in some instances, a variance exists between the RLTC rate and the base rate actually charged to the customer. Network Services further clarified that, as part of the transition from Local Service Contracts to RLTCs, a new vendor with lower rates was chosen to provide telecommunications services in Region 2.¹¹ Regional management concluded that the resulting billing rates would be too low for Network Services to be profitable because the surcharge amount collected would decrease once applied to the lower base rates.¹² Therefore, instead of passing the lower base rates on to customer agencies, the RLTC rates for certain line items were marked up. **Figure 1** shows an example of this markup.

¹¹ *i.e.*, Windstream Communications

¹² The surcharge is a fixed percentage applied to the base rate of all line items, which reimburses Network Services and Central Office administrative costs.

Figure 1 – Example of Pricing for Line Item 001I-SDP2

	Base Rate	SRC ¹³	Subtotal	Surcharge Rate ¹⁴	Surcharge Amount	Bill Rate
	a	B	c = a + b	d	e = c * d	f = c + e
Before Markup ¹⁵	\$395	\$6.25	\$401.25	25.1%	\$100.71	\$501.96
After Markup	\$410	\$6.25	\$416.25	25.1%	\$104.48	\$520.73

As shown in this example, because the surcharge is percentage based, the base rate markup also results in an increase in the surcharge amount that the customer is charged. Testimonial evidence indicates that the line items management selected to mark up generate the majority of Network Services' Region 2 revenue.

Several of Network Services' current business practices are inconsistent with GSA's commitment to improving transparency, including:

- Network Services does not have formal agreements with customer agencies which would set terms and conditions and outline elements of pricing.
- RLTC rates that Network Services pays to vendors are not disclosed to customers.
- Network Services does not provide its customers with itemized invoices that show the surcharge and service-related charge (if applicable).

This lack of transparency allows GSA to bill its customers an additional undisclosed markup and not pass cost savings along to its customers. Network Services should establish formal agreements with customers that outline all pricing components and fully disclose all administrative surcharges by clearly itemizing customer invoices. This would improve the division's transparency and allow customers to realize potential cost savings.

Recommendations 4 and 5

We recommend that the Acting Regional Commissioner, Northeast and Caribbean Region:

4. Require Network Services to establish formal agreements with customer agencies that set terms and conditions, and outline all pricing components including the RLTC rates that GSA pays to vendors.
5. Implement a policy that requires full disclosure of all administrative surcharges by clearly itemizing customer invoices.

¹³ A service-related charge (SRC) is added to the base rate for certain line items. The amount varies by geographic region and is established in the Region 2 Annual Rate Plan.

¹⁴ In fiscal year 2013, all Region 2 customers were charged a surcharge rate of 25.1 percent for each provided service.

¹⁵ This represents the agreed-upon RLTC rate. Agency customers were not billed at this rate; the markup was applied prior to any billings under the new vendor.

Management Comments

In its comments, management agreed with our finding and has already begun taking steps to address our recommendations (see **Appendix B**).

Conclusion

The current organizational structure of Network Services in Region 2 does not promote efficient administration of RLTCs. Specifically, the absence of a team lead causes an imbalanced workload and fewer opportunities for skill development of IT Managers.

Network Services management does not require or encourage IT Managers to take specialized training related to the administration of RLTCs. As a result, some IT Managers lack the skills necessary to perform certain job functions effectively.

Network Services does not have written agreements with its customers and does not provide them with itemized invoices that show billing details. This lack of transparency allows GSA to bill its customers an additional undisclosed markup and not pass cost savings along to its customers.

In order to address these deficiencies, the Acting Regional Commissioner, Northeast and Caribbean Region, should: (1) establish a permanent team lead position within Network Services; (2) Implement a policy that requires Network Services IT Managers to complete specialized training to ensure that they have the necessary skills to efficiently administer RLTCs; (3) develop and implement an on-the-job training plan to assist less experienced IT Managers in acquiring the skills necessary to administer contracts, regardless of complexity; (4) require Network Services to establish formal agreements with customer agencies that set terms and conditions, and outline all pricing components including the RLTC rates that GSA pays to vendors; and (5) implement a policy that requires full disclosure of all administrative surcharges by clearly itemizing customer invoices.

Appendix A – Purpose, Scope, and Methodology

Purpose

Our audit of the administration of Regional Local Telecommunications Services Contracts in the Northeast and Caribbean Region was included in the Office of Inspector General fiscal year 2013 audit plan.

Scope

Our audit focused on the skill sets and workload of IT Managers, telecommunications transactions, and the organizational structure of Network Services in Region 2. The customer sample for our analysis of transactions was selected using inventory amounts billed during the 1-year period ended May 31, 2013.¹⁶

Methodology

To accomplish our objectives, we:

- Interviewed Network Services personnel including the Director, Acting Deputy Director, and several IT Managers;
- Interviewed Financial Service Center personnel involved in Network Services financial operations including the Director, a Lead Analyst, and a Financial Analyst;
- Interviewed the Customer Accounts and Research Representative assigned to Network Services;
- Reviewed Network Services financial information for fiscal year 2013;
- Compared the current organizational structure of Network Services in Region 2 to its historical structure, as well as the structure of Network Services in several other regions;
- Evaluated position descriptions for the IT Manager labor category;
- Reviewed the requirements IT Managers must fulfill to obtain and maintain Contracting Officer Representative certification, and determined whether they are sufficient for IT Managers to efficiently administer Regional Local Telephony Contracts;
- Assessed the qualifications of IT Managers by reviewing training records for the current and previous Continuous Learning Points period to determine if certification requirements were being met;
- Researched available training opportunities that Network Services can use to create individual training and development plans for IT Managers;

¹⁶ Inventory billed amounts represent the monthly recurring charges for a customer's inventory, less any billing reconciliation adjustments.

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

- Analyzed a threshold report from the Telecom Invoice Management system that detailed inventory variances between Telecommunications Ordering and Pricing System and vendor bills for the 10-month period ended July 31, 2013;
- Attempted to reconcile customer bills to Network Services' pricing records (i.e., vendor rates, rate tables, rate plan, surcharge, and service-related charge); and
- Reviewed a rate variance report provided by the Financial Service Center to identify those customers and line items for which markups were not disclosed.

We conducted the audit between February 2013 and January 2014, 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Internal Controls

The examination of internal controls was limited to those necessary to address the specific objectives and scope of the audit. Our results are identified in the body of this report.

Appendix B – Management Comments



GSA Northeast and Caribbean Region

MEMORANDUM FOR: STEVEN JURYSTA
REGIONAL INSPECTOR GENERAL FOR AUDITING
NORTHEAST & CARIBBEAN FIELD AUDIT OFFICE (JA-2)

THRU: RAYMOND LEWIS
REGIONAL DIRECTOR
NETWORK SERVICES DIVISION (2QTC)

FROM: JEFFREY LAU
ACTING REGIONAL COMMISSIONER
FEDERAL ACQUISITION SERVICE (2Q)

SUBJECT: Draft Audit Report, Audit No. A130010
Audit of the Administration of Regional Local
Telecommunications Services Contracts, Northeast and
Caribbean Region

Thank you for the opportunity to provide comments to the Summary of Findings on Audit Number A130010 dated June 12, 2014, "Audit of the Administration of Regional Local Telecommunications Services Contracts Northeast and Caribbean Region."

We appreciate your efforts in evaluating our workload management and customer policies in order to ensure efficient and transparent administration of Regional Local Telephone Contracts. We concur with the findings and are taking appropriate action.

Please contact Raymond Lewis at (212) 264-5054 or Jeffrey Lau at (917) 828-5665 should you have further questions.

U.S. General Services Administration
Jacob K. Javits Federal Building
26 Federal Plaza
New York, NY 10270
www.gsa.gov

Appendix B – Management Comments (cont.)

We appreciate the opportunity to review the Summary of Findings on Audit Number A130010 June 12, 2014 "Audit of the Administration of Regional Local Telecommunications Services Contracts Northeast and Caribbean Region.

We agree with the findings and the preliminary recommendations in the Summary of Findings and will take appropriate action. The preliminary recommendations include:

1. Establish a permanent team lead position within Network Services.
2. Implement a policy that requires Network Services Information Technology Managers (IT Managers) to complete specialized training to ensure that they have the necessary skills to efficiently administer Regional Local Telecommunications Contracts (RLTC).
3. Develop and implement an on-the-job training plan to assist less experienced IT Managers in acquiring the skills necessary to administer contracts regardless of complexity.
4. Require Network Services to establish formal agreements with customer agencies that set terms and conditions, and outline all pricing components including the RLTC rates that GSA pays to vendors.
5. Implement a policy that requires full disclosure of all administrative surcharges by clearly itemizing customer invoices.

I. Finding 1 - The absence of a team lead for Network Service IT Managers results in inefficient administration of RLTCs.

Recommendation

1. *Establish a permanent team lead position within Network Services.*

Response

As noted in the summary of findings and in line with other Network Services regional programs, we agree with the finding that a permanent Supervisory IT Manager (ITM) position would promote greater efficiencies, developmental opportunities and management controls within the regional Network Services program.

Since September 2013, various individuals from within the Network Services program have been detailed to the role of Supervisory IT Manager for the regional Network Services Division with the most detail expected to end in August 2014.

The regional program is currently in the process of obtaining a Hiring Exception Request (HER) to fill this position via a temporary promotion exceeding 120 days. This action will provide the necessary coverage and time to obtain hiring approval for the position, and to properly compete and vet the permanent Supervisory ITM position.

The establishment of a temporary supervisory IT Manager role has aided in creating greater efficiencies and developmental opportunities for IT Managers. The establishment of the permanent position under the HER will increase these efficiencies and on the job developmental opportunities for IT Managers. The team lead will facilitate on the job

Appendix B – Management Comments (cont.)

development of IT Managers' skills through increasing team communication, collecting and reviewing lessons learned, establishing best practices, and working through complex orders with less experienced IT Managers.

II. Finding 2 - Inadequate training requirements for IT Managers result in inefficient administration of RLTCs.

Recommendation

- *Implement a policy that requires Network Services Information Technology Managers (IT Managers) to complete specialized training to ensure that they have the necessary skills to efficiently administer Regional Local Telecommunications Contracts (RLTC).*
- *Develop and implement an on-the-job training plan to assist less experienced IT Managers in acquiring the skills necessary to administer contracts regardless of complexity.*

Response

Network Services Management has taken steps to increase and clarify training for IT Managers, which will result in more efficient administration of RLTCs. As of April 11, 2014, all IT Managers are required to have Individual Development Plans (IDPs) created and tracked within Salesforce™ software platform. These plans incorporate classes from GSA Online University, Integrated Technology Services (ITS) University, Defense Acquisition University (DAU), and Federal Acquisition Institution Training Application System (FAITAS), as well as other classes provided at the IT Manager's discretion. IT Managers are highly encouraged to work towards, or maintain, their COR and Project Management Professional certifications.

IT Managers were reassigned to new agencies in order to help balance work amongst team members as of January 15, 2014. These assignments are currently being reviewed, and work will be redistributed based on changes in demand from customer agencies. This re-distribution of work will help ensure that all IT Managers have the opportunity to work on more complex orders.

As part of the Network Services program's move toward Network Services 2020, an integration plan has been created to have the telecommunications program managed as a category beyond FY15. This plan will realign Regional and Central Office personnel into one of five (Customer Management, Solutions Development, Program Operations, Program Management and Organizational Support) business functions. The plan will include a skills assessment inventory of the entire Network Services workforce to help identify pertinent training requirements and help map employees to business functions that complement their skills. This assessment will be used to identify skill gaps within the regional ITM's and the results will be leveraged to ensure that the ITM's take the required technical training courses to address these gaps.

Appendix B – Management Comments (cont.)

III. Finding 3-Customers are billed an undisclosed markup due to a lack of transparency in the billing process.

Recommendation

- *Require Network Services to establish formal agreements with customer agencies that set terms and conditions, and outline all pricing components including the RLTC rates that GSA pays to vendors.*
- *Implement a policy that requires full disclosure of all administrative surcharges by clearly itemizing customer invoices.*

Response

The NSD has created a team to analyze and correct pricing data elements and inventory in TOPS. The team consist of Program and Acquisition staff. All R2 RLTC TOPS pricing data will be downloaded then check for contractual pricing accuracy and consistency with TOPS data structures. Inaccuracy and discrepancies will be corrected. Also , NSD is now participating in a national effort focused on billing reconciliation of customer accounts in TOPS and Invoices from vendors. The team is being lead by the Financial Service Center and the NSD Program Office along with Regional staff. Also, the following actions are being executed for all RLTC and TOPS accounts :

- Review all pricing in TOPS for discrepancies compared to RLTC vendor pricing.
- Identify lines and services that may have been impacted and correct pricing. Promptly notify impacted customer agencies of rate changes.
- When transitioning customers to the RLTC informing them of pricing and services offered under the RLTC contract.

Currently, Network Services does not have the capability to provide itemized billing to customers that would show markups at a line item level. The billing system (TOPs/E-Bill) is managed at the national level, and is not in the purview of Region 2 Network Services. The future billing systems requirements for NSD are currently being developed. Increased transparency of the financial components has been requested. An overhaul or further development of TOPS to provide further breakout of costs would be costly and not timely. Upon customer request, Region 2 does (can) provide a breakdown of cost by Contract Line Item Number(CLIN) and show the current mark-up rate being charged to each line item.

During the transition to the RLTC, IT Managers inform customers of pricing, cost saving options, and different services offered under contract. The division is also taking steps to review and reconcile all customer inventory with vendor inventory and bills. This process will lead to further transparency and savings for customer agencies.

As the Network Services program moves toward the FAS ITS NS2020 strategy, a national integrated NSD program and a consolidated P&L there will be standardized rates and fees for all customers. This standardized fee will be fully disclosed to all customer agencies with the aim of entering into formal Interagency Agreements. This is anticipated to be commence in FY 2016.

Appendix C – Report Distribution

Acting Regional Commissioner, FAS, Northeast and Caribbean Region (2Q)

Regional Administrator, Northeast and Caribbean Region (2A)

Commissioner, FAS (Q)

Deputy Commissioner, FAS (Q1)

Chief of Staff, FAS (Q0A)

Regional Counsel, Northeast and Caribbean Region (LD2)

Director, Network Services Division, Northeast and Caribbean Region (2QTC)

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

Audit Liaison, FAS, Northeast and Caribbean Region (2Q1)

Assistant Inspector General for Auditing (JA)

Deputy Assistant Inspector General for Investigations (JID)

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