

Evaluation



Report

OFFICE OF THE INSPECTOR GENERAL

DEFENSE TELECOMMUNICATIONS SERVICE, WASHINGTON

Report No. 96-174

June 24, 1996

DEPARTMENT OF DEFENSE

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Acronyms

DTS-W
IMCEN
NCR
SAM

Defense Telecommunications Service, Washington
U.S. Army Information Management Center
National Capital Region
Single Agency Manager



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June 24, 1996

MEMORANDUM FOR DIRECTOR, DEFENSE TELECOMMUNICATIONS
SERVICE, WASHINGTON
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Evaluation Report on Defense Telecommunications Service, Washington
(Report No. 96-174)

We are providing this evaluation report for information and use. We considered management comments on a draft of this report in preparing the final report. Comments on the draft report conformed to the requirements of DoD Directive 7650.3 and left no unresolved issues. Therefore, no additional comments are required.

We appreciate the courtesies extended to the evaluation staff. Questions on the evaluation should be directed to Commander A. Lee Lawson, U.S. Navy, Evaluation Program Director, at (703) 604-9555 (DSN 664-9555) or Ms. Rosemary Hutchison, Evaluation Project Manager, at (703) 604-9551 (DSN 664-9551). See Appendix I for the report distribution. Evaluation team members are listed inside the back cover.

A handwritten signature in black ink that reads "Robert J. Lieberman".

Robert J. Lieberman
Assistant Inspector General
for Auditing

Office of the Inspector General, DoD

Report No. 96-174
(Project No. 6RB-0009.00)

June 24, 1996

Defense Telecommunications Service, Washington

Executive Summary

Introduction. The Defense Telecommunications Service, Washington, provides telecommunications equipment, facilities, and services, including support for command, control, communications, and intelligence organizations for the Office of the Secretary of Defense, Military Departments, Defense agencies, and DoD field offices within the National Capital Region. The Defense Telecommunications Service, Washington, renders support services to 382 customers and manages 785 accounts valued at \$181 million for those customers.

Evaluation Objectives. The primary objective was to evaluate the efficiency and effectiveness of the internal management and administrative programs, policies, practices, procedures, and controls used by the Defense Telecommunications Service, Washington, in performing its mission and functions. Specifically, we evaluated the operational management of the mission, functions, and tasks, of the Defense Telecommunications Service, Washington, and we assessed the adequacy of the management and administration of support services.

Evaluation Results. During the evaluation, we recognized the positive management accomplishments of the Defense Telecommunications Service, Washington, in providing support to the DoD Components. The willingness of the Defense Telecommunications Service, Washington, to meet the challenges of growing demands in technology and increased reliance on telecommunications is evident. To help the Defense Telecommunications Service, Washington, meet those challenges, we identified three areas for increased management attention.

The telecommunications support missions of the Defense Telecommunications Service, Washington, and Single Agency Manager for Pentagon Information Technology Services overlapped. As a result, the DoD did not have the most efficient and effective management structure for telecommunications services support in the National Capital Region (Finding A).

The Defense Telecommunications Service, Washington, proposal for archiving billing documents through an electronic optical disk imaging system was not cost-effective. As a result, Defense Telecommunications Service, Washington, would have spent as much as \$3 million for an imaging system to electronically maintain documents for which there is no requirement (Finding B).

The Defense Telecommunications Service, Washington, did not effectively communicate with and process feedback from customers, process timely and accurate billings, and perform periodic reviews of customer accounts. As a result, managers of telecommunications organizations often lacked needed and reliable data that are necessary to manage and monitor telecommunications operations and resources (Finding C).

Summary of Recommendations. We recommend that the Army perform a cost-benefit analysis to determine the most efficient and effective way to manage telecommunications support services within the National Capital Region. We recommend that the Defense Telecommunications Service, Washington, follow established time lines for record retention and stop actions to procure an electronic optical disk imaging system. Further, we recommend that the Defense Telecommunications Service, Washington, develop a customer service program, train managers to improve communications with DoD Component customers, and emphasize management controls over billing and accounting processes and over the review and reconciliation of unliquidated obligations to ensure timely and accurate billing for the DoD Components. Appendix G provides a summary of potential benefits.

Management Comments. Management concurred with the recommendations, disagreed with certain aspects of the report, and provided additional information to clarify the discussion of processes and examples. The Army is reviewing organizational issues related to telecommunication support service provided by the Defense Telecommunication Service, Washington and the Single Agency Manager for Pentagon Information Technology Services. The review will be completed by September 30, 1996. The Defense Telecommunications Service, Washington, is implementing measures to improve its recordkeeping system and is suspending procurement of an electronic optical disk imaging system. In addition, the Defense Telecommunications Service, Washington, is acting to improve its customer service and billing processes by establishing Process Action Teams, transitioning to client server automation, reviving customer-related conferences, enhancing training programs, conducting customer surveys, and issuing a memorandum to explain processes to its customers.

See Part I for a summary of management comments and Part III for a complete text of the management comments.

Evaluator Response. We consider management comments on the recommendations responsive.

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Part I - Evaluation Results

Evaluation Background

Purpose of the Defense Telecommunications Service, Washington. The Defense Telecommunications Service, Washington (DTS-W), provides telecommunications equipment, facilities, and services, including support to command, control, communications, and intelligence organizations of the DoD Components in the National Capital Region. The DoD telecommunications system in the National Capital Region (NCR) is an integral part of the DoD worldwide and interoperable, common-user telecommunications systems. Those systems and their military-unique features provide daily support to vital communications functions and national security leadership. The DTS-W provides support services to 382 customers and manages \$181 million in 785 billing accounts for those customers. Those customers include the Office of the Secretary of Defense, Military Departments, Defense agencies, and the DoD field organizations (hereafter referred to as DoD Components).

Management and Oversight Responsibilities. DoD Directive 4640.13, "Management of Base Long-Haul Telecommunications Equipment and Services," December 5, 1991, assigns the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) the responsibility to provide policy and guidance for the acquisition and management of base and long-haul telecommunications equipment and service for the DoD. DoD Directive 4640.7, "DoD Telecommunications System (DTS) in the National Capital Region (NCR)," October 7, 1993, tasks the DTS-W to provide centralized support in the NCR for each DoD Component to eliminate duplicative facilities or segregated systems. Further, DoD Instruction 5335.1, "Telecommunications Services in the National Capitol Region (NCR)," November 3, 1993, assigns the Secretary of the Army overall administration and oversight of the DTS-W.

Supplemental Responsibilities. DoD Instruction 5335.1 gives the DoD Components within the NCR the responsibility to designate budgetary and Telecommunications Service Control Officers to monitor, document, and maintain records of telecommunications expenditures, requirements, requests, inventories, and revalidations.

Changes in the NCR that Affect Telecommunications. In 1992, the Secretary of Defense directed the "comprehensive renovation of the Pentagon to transform the facility, including all Information Management and Telecommunications Services, into a modern office environment." The renovation requires the modification and integration of video, data, and voice network services into a single infrastructure for the entire Pentagon. That infrastructure unifies existing management and organizational structures and develops the backbone architecture for voice, data, and video services to all users in the Pentagon. During renovation planning, the Deputy Secretary of Defense proposed that information management and telecommunications be consolidated under one manager. See Appendix C for additional background information.

Evaluation Objectives

The primary objective of the evaluation was to evaluate the efficiency and effectiveness of DTS-W management and administrative policies, practices, procedures, and controls. Specifically, we:

- o evaluated the efficiency and effectiveness of the operational management of the DTS-W mission, functions, and tasks; and

- o assessed the adequacy of the management and administration of support services.

See Appendix A for a description of the evaluation process. Appendix B summarizes prior coverage related to the objective, and Appendix D gives additional information on areas that merit management attention.

Finding A. Telecommunications Support in the National Capital Region

The telecommunications support missions of the DTS-W and Single Agency Manager (SAM) for Pentagon Information Technology Services overlap. The Army has not clearly delineated organizational responsibilities, assessed the efficiency and effectiveness of having two organizations provide telecommunications services, and evaluated other alternatives such as streamlining, merging, or privatizing. As a result, the DoD does not have the most efficient and effective management structure for telecommunications services support in the NCR.

DoD Component Support

Missions of the SAM and DTS-W. The SAM was established in March 1995, to facilitate Pentagon renovation and to address concerns discussed in the document entitled, "Single Agency Management of the Pentagon Information Management and Telecommunications," November 17, 1992. That document described telecommunications management as "costly, inefficient and inflexible . . . over the years each Service/Agency has implemented their own separate video, data, and voice networks throughout the Pentagon," and recommended that Pentagon information management and telecommunication functions reside under a single Military Department or Defense agency. On March 1, 1995, DoD Directive 8220.1, "Single Agency Manager (SAM) for Pentagon Information Technology Services (ITS)," designated the Secretary of the Army as the SAM. The Secretary of the Army appointed a Director of the SAM, who reports through the U.S. Army Information Systems Engineering Command, Fort Huachuca, Arizona. The DTS-W reports to the Administrative Assistant to the Secretary of the Army at the Pentagon.

DoD Directive 8220.1 assigns the SAM telecommunications responsibilities that overlap those of the DTS-W. For example, the primary responsibilities of the SAM and the DTS-W are to provide a central source for integrated, informational technical services for DoD Components and to ensure that DoD Components do not establish, operate, and maintain duplicative capabilities.

Memorandum of Agreement. On May 9, 1995, a memorandum of agreement was established to eliminate confusion over responsibilities caused by the similarity of mission statements in the governing directives for the DTS-W and SAM. In accordance with the agreement, the SAM assumed the DTS-W telecommunications mission responsibilities within the Pentagon and the DTS-W retained responsibility of support outside the Pentagon. In addition, the agreement identified associated resources, such as 10 personnel positions to be transferred from the DTS-W to the SAM. However, the agreement does not solve the problem of overlapping areas of responsibilities described in the directives. For example, DoD Directive 8220.1 extends SAM authority "to occupants of the Pentagon and, as feasible, to locations outside the Pentagon as

Finding A. Telecommunications Support in the National Capital Region

mutually agreed upon between the SAM for Pentagon Information Technology Services and the DoD Components." DoD Directive 4640.7 and DoD Instruction 5335.1 task the DTS-W to provide telecommunications support to all DoD Components in the NCR. Specifically, the memorandum of agreement gives responsibility to the DTS-W for telecommunication support inside and outside the Pentagon and states that "the SAM is responsible for ITS [Information Technology Services] within the Pentagon which includes the telecommunication services."

Customer Support for the DoD Components. Through various policies, the SAM and the DTS-W have both been made responsible to provide telecommunications support to the DoD Components. The overlap in responsibilities for certain aspects of telecommunications support has the potential to cause significant problems because DoD Instruction 5335.1 states "DoD telecommunications system in the NCR is an integral part of the DoD worldwide and interoperable common-user telecommunications systems . . . and their military-unique features provide daily support to vital C³I [command, control, communications and intelligence] functions and national security leadership," therefore, the systems must operate effectively and efficiently.

Although Pentagon renovation is in the early stages, as the renovation is executed over the next 10 to 12 years, responsibilities and lines of authority, unless clearly defined, could become obscured. Further, the overlapping functions of the DTS-W and SAM could force them to compete and to duplicate missions. The benefit of effectively and efficiently managed functions could be lost, and economies that are normally realized will not be available to the DoD. Further, in cases of national emergency, when efficient and effective management is most needed, the structure and procedures may not be in place for a smooth transition to emergency measures.

Other Management Considerations

Computer Processing Capabilities. The mainframe computer the DTS-W uses is a VAX 6520 series. Although functional, the computer is slow and labor intensive. The DTS-W receives 40 magnetic tapes from vendors monthly that contain customer billing data. The DTS-W mounts tapes on tape drives and processes the information before sending it to customers for validation. The DTS-W takes about 40 days to mount and process the information. In September 1993, the DTS-W initiated a study to find ways to improve telecommunications support. The MITRE Corporation performed the study and recommended improvements in DTS-W operations that included use of commercial off-the-shelf products to provide electronic mail, forms management, work flow, and document sharing. Some of those recommendations could be met by DTS-W sharing SAM equipment and capability.

The SAM has newer equipment, technology, and greater computer capability than the DTS-W. As of September 30, 1995, the DTS-W used the SAM high-

Finding A. Telecommunications Support in the National Capital Region

speed printer for the DTS-W monthly customer telephone bills. The SAM can provide increased computer capability to the DTS-W if both organizations shared:

- o the SAM high-speed computer mainframe, which is eight times faster than the VAX 6520 owned by DTS-W;

- o 6 magnetic tape drives, which would decrease mounting and processing time for the 40 monthly billing tapes;

- o 700 modems (many peripheral customers could tap directly into a data base to review monthly bills, a practice other Defense Metropolitan Area Telephone Systems managers use); and

- o hardware and software technicians on staff, which could allow DTS-W to reduce multimillion dollar contractor support.

According to one SAM technical manager, if DTS-W used the SAM equipment and capability, the time to process the DTS-W monthly vendor billing tapes could be reduced from 40 days to about 1 day. Although the DTS-W does not fully agree that the results of sharing computer resources at this time would be as beneficial as the SAM indicates, the DTS-W should act now to ensure that the most efficient and effective means are used for its operations. The automation resources available through the SAM could be part of improving DTS-W operations to reduce costs and time and to prevent redundant investments in technologies or equipment.

Managing DoD Telecommunications Support Services. Since 1991, the DTS-W has undergone three reorganizations to accommodate workload increases, technological advances, and the creation of the SAM. However, the Army did not perform a mission analysis or a cost-benefit analysis to determine whether the DTS-W and the SAM should operate independently or whether other practices and structures could better meet Defense telecommunications requirements. In such analyses, comparisons with other organizations that perform the same or similar missions could provide insights to alternative managing practices. For example, to compare practices and structure, we contacted telecommunications managers in other organizations that provide telecommunications support similar to that of DTS-W and SAM. The practices of those organizations included consolidating missions or operations, direct vendor billing of customers, and privatizing some or all telecommunications operations. (A description of the practices of those organizations is in Appendix D.)

Solving Telecommunications Problems. In recent years, the DoD has increased its efforts forming the optimum organizational structure to efficiently manage and execute telecommunications activities. Because of the complexity of those activities and major changes within the NCR, achieving the optimum organizational structure is complicated, unsure, and marked by competition between the organizations involved in supporting telecommunications activities. The DTS-W and the SAM compete because the delineation of authorities, roles, and responsibilities is unclear for providing telecommunications to the DoD

Finding A. Telecommunications Support in the National Capital Region

Components in the Pentagon and NCR. When we asked managers and telecommunications specialists involved in telecommunications activities in the DTS-W and the SAM how the structure works in practice, they said it was manageable. The organizations adapt to get the job done and meet DoD Components needs. Still, the fundamental question remains on how to best manage and structure missions and responsibilities for Defense telecommunications. Until that question is answered through a systematic approach, such as a cost-benefit analysis, the effect is overlapping missions and uncertainty over roles and responsibilities to support the DoD Components within the NCR.

Recommendation, Management Comments, and Evaluator Response

A. We recommend that the Secretary of the Army perform a cost-benefit analysis to determine the most efficient and effective way to manage the Defense telecommunications support services within the National Capital Region. The analysis should include exploring avenues such as streamlining, consolidating, merging, or privatizing organizations or functions.

Management Comments. While the Army disagreed with certain statements in the finding, the Army concurred with the recommendation. The Administrative Assistant to the Secretary of the Army and Office of the Director of the Army Staff are reviewing DTS-W and SAM organizational issues. The expected completion date of the review is September 30, 1996.

Finding B. Electronic Imaging Purchase

The DTS-W proposal for archiving billing documents through an electronic optical disk imaging system is not cost-effective because DTS-W, through imaging, would be retaining billing documents beyond the 2-year period designated in DoD policy guidelines. Further, DTS-W does not follow Army policy, which requires indefinite retention of documents related to uncollected accounts only. Because space and other resources are scarce, DTS-W plans to acquire an electronic optical disk imaging system to store those documents. As a result, DTS-W may spend as much as \$3 million for an imaging system to electronically maintain documents that are not needed.

Document Storage and Retention

Document Storage. The evaluation showed that the DTS-W document storage rooms had thousands of telephone bills that were up to 10 years old, hundreds of DoD Forms 1155, "Order for Supplies or Services," that were up to 14 years old, and contractual documents that should be either placed in the National Archives or destroyed. Army Regulation 25-400-2, "The Modern Army Recordkeeping System," February 26, 1993, requires that telephone toll-call reports be destroyed after 3 months, that service contracts and work orders be destroyed in the year following the final payment, and that other telephone vouchers and invoices be destroyed after 2 years. However, files that relate to uncollected accounts must be retained until collected.

The DTS-W requested a waiver to the 2-year time line in Army Regulation 25-400-2. The DTS-W rationale for maintaining records longer was that "sometimes" telephone companies ask for billing adjustments 10 years in arrears. The Army granted the waiver and suggested that the DTS-W could file the records under a different file number that allows retention of up to 6 years and 3 months.

Document Retention. The DTS-W is retaining billing documents and other telecommunication records long past the time required by the Army Regulation. The thousands of documents occupy valuable storage space and continue to grow, causing storage and maintenance problems. The DTS-W sought to solve the problem by proposing the purchase of an electronic optical disk imaging system.

Electronic Optical Disk Imaging System and Upgrades. In August 1995, the DTS-W requested that the Army Information Management Center (IMCEN) approve a concept, budget, and \$3 million to acquire an electronic optical disk imaging system. In addition to archiving DTS-W billing documents, the imaging system would also archive vendors' and contractors' service orders, contract delivery orders, and inventories and would provide electronic retrieval to the NCR customer locations.

Finding B. Electronic Imaging Purchase

Electronic Imaging System. The IMCEN reply to DTS-W was that "IMCEN cannot support the cost or justification for the proposed imaging system." The IMCEN response also included the following.

- o Functionally, most of the information is already available on the system; therefore, the return on investment to image the same information is questionable.

- o The presence of four scanning stations implies that DTS-W intends to commit extensive full-time personnel resources to input the images into the system. The return on such a staffing investment is questionable.

- o Paper is a relatively low-cost method of archival for documents that are rarely referenced after filing. As attractive as electronic imaging may seem, it is often not as useful as anticipated and is considerably more expensive than initially projected.

The DTS-W responded to the IMCEN comments that:

- o the DTS-W does not intend to image data that are available electronically or to image documents when costs outweigh the benefits;

- o imaging efforts may be performed by contractor services or with Government personnel; and

- o imaging is part of the effort to initiate electronic data transfer from the vendor community directly into the DTS-W.

Alternative Document Retention Practices

Practices Within Other Defense Metropolitan Area Telephone Systems. We compared document retention practices of three major defense metropolitan area telephone systems to the DTS-W and found significant differences. We interviewed telephone system managers at the Defense Metropolitan Area Telephone Systems of St. Louis, Missouri; Boston, Massachusetts; and Dayton, Ohio, and concluded that imaging systems are not used and that telephone adjustments are not made more than 2 years after the original billing. Because of the 2-year adjustment limit enforced by the other telephone managers, records are not kept by those system managers for more than 2 years.

We agree with the IMCEN position that the existing availability of the information, the cost of the imaging system, and the questionable return on investment obviate the need for an imaging system. The key reason for the DTS-W purchase of an imaging system is to solve billing problems and to store the growing number of billing records. Because the Army does not require the retention of those records beyond 2 years, an investment of \$3 million to retain

Finding B. Electronic Imaging Purchase

those records is not the most appropriate use of funds (see Appendix G). The DTS-W should not continue its actions to procure an electronic optical disk imaging system.

Although imaging is an efficient tool in many instances, that technology alone will not help to control the DTS-W system of document retention. Rather, the DTS-W should look to its counterparts in the other Defense Metropolitan Area Telephone Systems to find more efficient ways to manage and control its documents.

Recommendations, Management Comments, and Evaluator Response

B. We recommend that the Director, Defense Telecommunication Service, Washington:

- 1. Follow time lines established in Army Regulation 25-400-2, "The Modern Army Recordkeeping System," for record retention.**
- 2. Stop actions to procure an electronic optical disk imaging system.**

Management Comments. While the Army disagreed with certain statements in the finding, the Army concurred with the recommended corrective actions. The Army stated that the DTS-W is filing records in compliance with "The Modern Army Recordkeeping System," and will appoint a team to identify and destroy records not in compliance with Army and Federal regulations. The DTS-W expects to complete this action by August 2, 1996. In addition, the DTS-W has stopped action to procure an optical disk imaging system.

Finding C. Customer Service

DTS-W does not effectively communicate with and process feedback from customers, process timely and accurate billings, and perform periodic reviews of customer accounts. These administrative and management problems occurred because DTS-W does not have effective customer service and training programs or adequate management controls for its billing function. As a result, managers of telecommunications organizations often lack needed and reliable data that are necessary to manage and monitor telecommunications operations and resources and to maintain an acceptable level of customer services.

DTS-W Efforts Providing Customer Service

Communication with Customers. In 1993, the DTS-W developed an operational plan to correct and increase its management controls over telecommunications services support. The plan outlined the DTS-W intention to assist DoD Components in identifying and defining telecommunication requirements, to provide affordable telecommunication services, and to improve performance in the areas of billing and customer support. The DTS-W has published a quarterly customer newsletter and has organized group conferences with telecommunication managers, such as the Telecommunications Service Officers, telecommunications finance officers, and the Bell Atlantic Operating System Control User's Group. The DTS-W has also established a "Help Desk" that is staffed by contractor personnel to operate 24 hours a day.

Customer Service Program. The DTS-W has not established an effective system to disseminate information and to receive customer feedback. The National Performance Review Task Force identified customer feedback as an important link with customers. The Task Force identified customer feedback as a major element for organizations that provide services and recommended that all Federal organizations that provide services create customer service programs. Those programs should ensure that a customer has the means to receive information and to provide feedback to its servicing organization. The DTS-W should invigorate its intentions to improve communications with customers through a formal customer service program that allows information to flow easily between the DTS-W and its customers. That information should be used to focus management attention on problems as they develop and to identify successes that can be shared with other organizations.

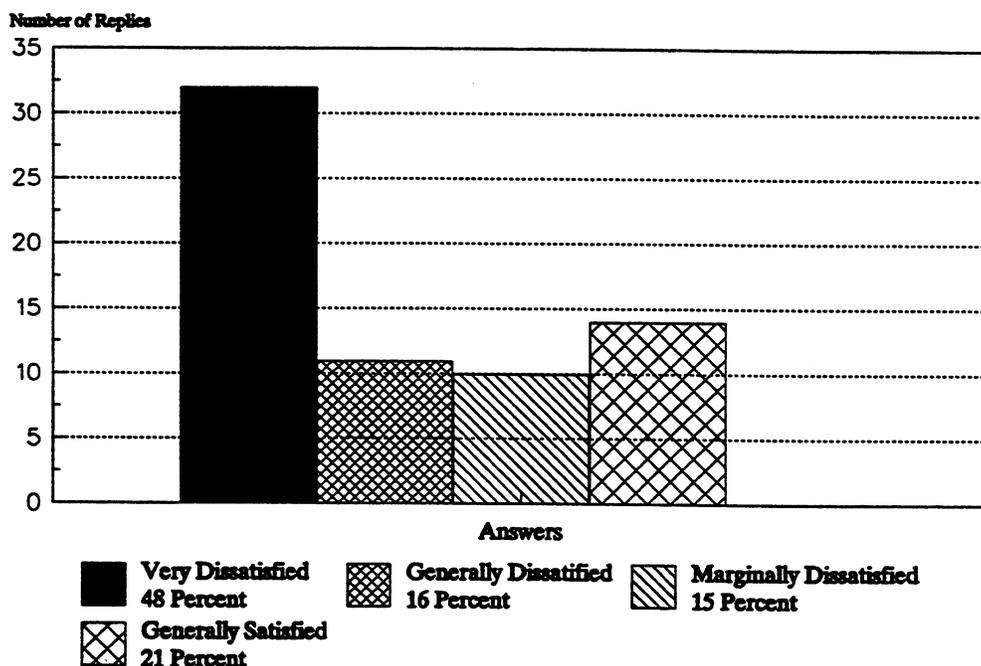
Evaluation Interviews and Survey Results. We supplemented our evaluation with a survey of personnel who manage and monitor telecommunications organizations for the DoD Components within the NCR. Personnel

Finding C. Customer Service

interviewed and surveyed stated that the DTS-W lacked an established customer feedback mechanism, could not provide timely and accurate billings, and had poor customer account reconciliation practices.

Billing and Accounting Processes

DTS-W Customer Survey. The DTS-W has experienced problems in providing timely and accurate billings and in managing unliquidated funds. Eighty percent of the DTS-W customers who responded to our survey expressed dissatisfaction with the DTS-W billing and accounting processes (see the figure below). In addition to the survey responses, the Defense Finance and Accounting Service Report, "Certifying Officials Outside the Defense Accounting Office DTS-W," December 28, 1994, states that the DTS-W had an inadequate automated billing system.



Customer Satisfaction with DTS-W Accounting and Billing Processes

Charges to DoD Components. Telecommunications costs include charges for long-distance and local calls, data network costs, circuits and station equipment, common equipment and services, and DTS-W overhead charges. The DoD Components expressed frustration in trying to understand how the DTS-W determines and establishes the charges for telecommunication services and overhead costs. This issue was highlighted by the DoD Components because of the 40-percent creep in vendor costs since FY 1991. Those costs have increased steadily since the Telecommunication Modernization Project contract was

awarded to Bell Atlantic in 1991. The DoD Components believed costs would decrease, particularly when coupled with DoD organizational downsizing. Not understanding how the DTS-W developed the formulas for charges caused the DoD Components to question the validity of the DTS-W billing process.

Telecommunication Forms. The DTS-W developed and disseminated two forms to assist the DoD Components in identifying priorities and in forecasting telecommunication services requirements for each billing account. Because DoD Components did not understand the purpose and information needed, many did not return completed forms. For example, of the 736 billing accounts, DoD Components returned only 88, of which 66 contained comments like "not applicable," "no response," "no requirements," "customer has moved," or "no future projection." The forms did not provide DTS-W with meaningful data that were needed to forecast telecommunications requirements.

Timeliness in Relation to the Billing Process. The principles and tenets of a billing process are defined in DoD Manual 7220.9-M, chapter 26, "Reimbursements," and Army Regulation 37-1, chapter 13-8, "Prompt Payment Act (PPA) Requirements" April 30, 1991. However, the DTS-W has had difficulty in meeting basic requirements for timeliness.

Billings to DoD Components. The DoD Components have continuously notified the DTS-W of the need to improve the customer billing process and the process for making vendor payments within the 30-day requirement established in DoD Manual 7220.9-M and Army Regulation 37-1. Problems with the DTS-W processes were documented in December 1994 by the Defense Finance and Accounting Service when it determined that DTS-W vendor billings were more than 30 days late, in violation of the Prompt Payment Act, and that interest penalties were owed to vendors. Because the DTS-W operates on a cost-reimbursable basis, those penalties would be passed on to the customer.

Data Provided by DTS-W. The DoD Components said that DTS-W needs to improve the timeliness and completeness of responses to questions about suspected discrepancies in bills. DTS-W responses to DoD Component inquiries about billing discrepancies often took 4 to 6 months. Consequently, the Components could not identify and correct unauthorized telephone use within a reasonable time after receiving the bills. In one instance, the DTS-W did not respond quickly enough to provide records of cellular telephone use during an ongoing fraud investigation. The investigation was concluded without full and complete information from DTS-W records.

Review and Validation of Accounts

DoD Component Unliquidated Funds. Prior fiscal year telecommunications accounts for DoD Components were not adequately reviewed by the DTS-W. DoD 7000.14-R, Financial Management Regulation, volume 4, "Accounting Policy and Procedures," January 1995, states that "open accounts payable

Finding C. Customer Service

require constant review to assure that they are valid liabilities." However, the DTS-W did not always review its customer accounts to identify excesses or shortages of funds in order to ensure that its reimbursable funds are managed properly throughout the fiscal year. A periodic review of DTS-W accounts is needed to resolve any discrepancies. Appendix E depicts the expired DoD Component funds still residing in the DTS-W.

If the DTS-W does not receive vendor bills within the prescribed 180 days, as stipulated in DoD 7000.14-R, then the DTS-W should proceed with a written request to the vendor for the bill. If DTS-W gets no response, it should write off the liability and return the unexpended funds to the customer. Without DTS-W taking those actions, customers will be unable to chose alternative uses for their funds.

Accuracy of Billing Documents. The DTS-W has not established an adequate system to periodically sample and audit the accuracy of the bills it produces for the DoD Components. The DoD Components believe that the DTS-W staff verify the accuracy of the billing data only when responding to specific requests from the DoD Components. Although the DoD Components are responsible for certifying their respective bills, those certifications cannot be valid without accurate data from the DTS-W.

Different Telecommunication Circuit Costs. The DoD Components said that the bills they received contained circuit costs that differed from the estimated costs developed by the DTS-W. The estimated costs are issued by the DTS-W to the DoD Components to use in formulating annual telecommunications budgets. In addition, circuit costs fluctuated from month to month without explanation. Even though there may be a valid reason for the fluctuations, the perception that the bills are inaccurate prevails among the DoD Components. Managing their budgets to the range of cost differences on a month-to-month basis is difficult for the DoD Components, especially when combined with receiving late bills.

Charges for Telecommunication Circuits. DoD Components pointed out instances of being billed for circuits that were reported as unneeded. Although, the DTS-W was asked to terminate those circuits, it has taken no action to do so in more than 2 years. As of September 30, 1995, some DoD Component bills contained vendor charges for services provided more than 3 years ago. DoD Components question the accuracy and reasonableness of those charges.

Management Controls. Basic management controls for conducting billing and accounting activities are defined in DoD regulations and manuals. Those controls are designed to ensure that organizations responsible for billing and accounting functions provide timely, accurate, and cost-effective management for their customers. The billing process problems the DTS-W experienced are indications that DTS-W must emphasize management controls for its billing process. Without strong, effective management controls the DTS-W cannot provide the DoD Components useful and reliable data necessary to manage and monitor Defense telecommunications services requirements.

Telecommunication Service Training

DoD Instruction 5335.1, "Telecommunications Services in the National Capital Region (NCR), November 3, 1993, assigns the responsibility of ensuring that the DoD Component responsible for managing its telecommunications activities, usually the Telecommunications Service Control Officer, receives training for those responsibilities. The DTS-W is responsible for providing that training. Although it is the responsibility of the head of the DoD Component organization to ensure that its managers are trained through the DTS-W, we believe many of the problems experienced by the DoD Components could be covered in a comprehensive training program. If the DoD Components and the DTS-W take more active roles, communication can improve, problems can be reduced, and changes and improvements can be systematically implemented.

Recommendations, Management Comments, and Evaluator Response

C. We recommend that the Director, Defense Telecommunications Service, Washington:

1. Develop a customer service program, that includes a customer feedback system to improve communications with DoD Component customers.

2. Issue a memorandum to personnel who process billings for DoD Components to emphasize the management controls over billing and accounting processes and over the review and reconciliations of unliquidated obligations to help ensure timely and accurate billings for the DoD Components.

3. Take an active role in developing and conducting a comprehensive training program for managers of telecommunications services. Goals of that training program should be to improve communications, to provide a better understanding of the billing and accounting process, and to exchange ideas to improve overall telecommunications services support.

Management Comments. While the Army disagreed with certain statements in the finding, the Army concurred with the recommended corrective actions. The Army stated that DTS-W will improve its Customer Service Program through Process Action Teams that focus on billing and will transition to client-server automation. The DTS-W will also revive customer-related conferences, conduct an annual customer service survey, and issue a memorandum emphasizing management controls over billing and accounting processes. In addition, the DTS-W will continue to enhance and strengthen the Telecommunications

Finding C. Customer Service

Service Control Officers' Training and Certification Program. As of April 1996, the DTS-W initiated improvement actions, and it anticipates that all actions will be completed by June 1997.

Part II - Additional Information

Appendix A. Evaluation Process

Scope and Methodology

DTSW-W Functional and Technical Management. The evaluation assessed the efficiency, economy, and effectiveness of the Defense Telecommunications Service, Washington, management and administration policies, procedures, and controls. We assessed processes and mechanisms used to determine and manage contracts, information, personnel planning and budgeting, and related customer support, such as billing and recordkeeping. We based our assessment of the processes and mechanisms on the ability of DTS-W to accomplish intended purposes as defined in its governing documents. We performed our evaluation from June 19, 1995, to October 12, 1995.

Locations Visited. To accomplish the evaluation objectives, we visited all elements within the DTS-W; Office of the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence); seven organizations under the Office of the Administrative Assistant to the Secretary of the Army; six Service organizations; two Defense agencies; and four non-Defense Federal agencies. The organizations are listed in Appendix H. We conducted those visits from August 14, through September 30, 1995.

Interviews and Reviews. Our interviews focused on the management roles and responsibilities, policy and procedures, requirements and resource planning, and customer service support.

Customer Survey. We supplemented the visits and contacts by surveying DoD Components (referred to as customers in the survey). We performed the survey during July 1995. The purpose of the customer survey was to clarify the relationship between the DTS-W and its customers and to gauge the level of customer satisfaction with the DTS-W telecommunications services support. Of the 382 customers, we randomly selected and surveyed 171. Of the 171 selected, we received 68 survey responses. Appendix F summarizes our survey results and analysis. We did not attempt projections or computer-processed data to perform our evaluation.

Appendix B. Summary of Previous Coverage

General Accounting Office

Government Accounting Office Report No. IMTEC 93-15 (OSD Case No. 9353) "Defense's Program to Improve Telecommunications Management Is at Risk," February 1993. The report states that DoD did not effectively implement the Telecommunications Management Program, which was designed to analyze DoD communications management deficiencies and to develop ways to solve those deficiencies. The report states that the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) and the Defense Information Systems Agency have not laid the groundwork for Telecommunications Management Program success. The report recommends that the Secretary of Defense direct the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) to define roles and responsibilities for the Defense Information Systems Agency. The Defense Management Report Decision 918, September 15, 1992, provided a concept for satisfying DoD-wide communications needs and established the Defense Information Systems Agency as the central manager of the Defense infrastructure with responsibility for providing an end-to-end information transfer capability.

Office of the Inspector General, DoD

Inspector General, DoD, Audit Report No. 96-011, "Certification and Payment Procedures at the Navy Computer and Telecommunications Station, San Diego," October 20, 1996. The report states that telecommunications services for the Consolidated Area Telephone Systems, San Diego and San Francisco, would transfer to the Naval Computer and Telecommunications Station, San Diego. The Naval Computer and Telecommunications Station, San Diego, does not have adequate procedures for certifying and paying telecommunications bills. Consequently, the Navy has no assurance that payments will be accurate or that the amounts disbursed will be for actual services rendered. In addition, the Naval Computer and Telecommunications Station, San Diego, has not paid bills in accordance with the Prompt Payment Act. The report recommends that the Navy delay the transfer until certification and inventory procedures are established and establish an inventory data base and that the Navy Auditor General audit the new certification and inventory procedures.

Inspector General, DoD, Audit Report No. 91-072, "Billings for CENTREX Autovon [Automated Voice Network] Terminations at the DTS-W," April 26, 1991. The report states that DTS-W could not verify the authenticity or accuracy of charges because circuit and special assembly inventories were not performed at all of the DoD Components in the National Capital Region. As a result, DTS-W overpaid telecommunication vendors for more than 5 years. The

Appendix B. Summary of Previous Coverage

report recommends that the DTS-W obtain credit from the telecommunication vendors for the overpaid bills and to perform an annual inventory of all telecommunications equipment and services in the NCR. The DTS-W estimated that to develop and implement an inventory as recommended would cost \$4.4 million in salary for 42 additional personnel.

Inspector General, DoD, Audit Report No. 90-005, "Audit Report on Requirements Validation for Telecommunications Service," October 16, 1989. The report states that communications managers did not adequately revalidate the requirements for existing telecommunications services; therefore, managers continued to pay for services that were no longer required. The report recommended that the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) require managers to review and revalidate telecommunication circuits by physical count at least every 2 years, or annually if possible. The report specifically mentions the DTS-W lack of its own inventory of telephone main lines and recommended that DTS-W establish an inventory. However, the DTS-W nonconcurred because "it was impractical to establish an independent database of 90,000 plus lines and then continually update it."

Defense Finance and Accounting Service

Defense Accounting Office, Report No. 95-03, "Certifying Officials Outside the Defense Accounting Office--DTS-W," December 28, 1994. The report states that DTS-W was processing payments to vendors late, had an inadequate automated system, and had discrepancies in processing bills, vouchers, and reporting Prompt Pay Act payments.

Appendix C. Additional Background

DoD Telecommunication Assets. The DoD obtains long-distance telephone service from commercial carriers either by leasing specific networks and circuits dedicated to Government usage or through metered services. Dedicated networks include the Automatic Voice Network and the Defense Switched Network, which link DoD Components worldwide; the Defense Commercial Telecommunications Network, which provides long-distance voice service for the DoD; and the Federal Telecommunications System, a nationwide, long-distance network managed by the General Services Administration. Metered services used by the DoD include regular commercial toll service and the Wide Area Telephone Service.

With the advent of divestiture in 1984, the American Telephone and Telegraph Company and its 22 Bell Operating Company subsidiaries were divested of assets and services by Federal court decree. Separate local and long-distance services for distinct markets were established. The American Telephone and Telegraph Company became the provider of long-distance service, and the 22 Bell Operating Companies provided local exchange services through their respective automated analog telecommunications system known as the Central Office Exchange Service. As of September 30, 1995, the Bell Operating Companies are converting their analog systems to digital systems. In the NCR, the DTS-W is the central support organization that contracts with the local telephone companies and long-distance carriers to support the telecommunications needs of 382 DoD organizations.

Origin of DTS-W. The DTS-W has its origins in the Army's Consolidated Private Branch Exchange System chartered by DoD Directive 5160.9, "Assignment of Responsibility to the Secretary of the Army for Operation and Administration of Consolidated PBX [Private Branch Exchange] System for Activities Located at the Seat of Government," August 30, 1955. The purpose of the Consolidated Private Branch Exchange System was to provide a central service for the efficient and economical performance of all telephone communications systems (including toll circuits) for all DoD agencies located at the "seat of Government." During the 1950's, more than 300 telephone operators worked in the Pentagon for numerous DoD organizations. On July 19, 1973, the Assistant Secretary of Defense approved a revised charter for the Consolidated Private Branch Exchange System and renamed it the Defense Telephone Service-Washington (DTS-W). The purpose of the DTS-W is to provide, under Secretary of the Army management, operation of all telephone communications services for the DoD in the NCR. In 1984 DoD Directive 4640.7, "DoD Telecommunications System (DTS) in the National Capital Region (NCR)," renamed DTS-W the Defense Telecommunications Service-Washington.

DTS-W Mission. The DTS-W provides centralized support to the DoD Components in the NCR for integrated telecommunications. The DTS-W is responsible for eliminating the need for each DoD Component to establish, operate, or maintain duplicative facilities or segregated systems. The DTS-W is

Appendix C. Additional Background

also responsible for equipment, facilities, and services, including support to command, control, communication, and intelligence organizations of the DoD Components.

Pentagon Renovation. In 1992, the Office of the Secretary of Defense directed the renovation of the Pentagon to transform it, including all Information Management and Telecommunications Services, into a modern office environment. After 50 years, the Pentagon had acquired numerous structural, mechanical, electrical, plumbing, and information management and telecommunications deficiencies. Information management and telecommunications include all computer and communications equipment and services that provide telecommunications connectivity within the Pentagon. The current information management and telecommunications architecture was determined to be costly, inefficient, and inflexible.

Before March 1994, even though the DTS-W was responsible for providing centralized support to include the Pentagon, the Pentagon information management and telecommunication functions were distributed to the Military Departments and Defense agencies residing in the Pentagon. The DTS-W was responsible for managing about 80 percent of the unclassified telephone communication services and associated infrastructure within the Pentagon. The remaining unclassified telephone communication services and all the classified telephone communication services were managed by the other Military Departments or Defense agencies residing in the Pentagon. That management structure was found to be inefficient, inflexible, and duplicative.

Single Agency Manager. The modification and integration of video, data, and voice network services into a single infrastructure for the entire Pentagon required the unification of existing management and organizational structures. The Deputy Secretary of Defense signed a memorandum to all DoD Components on March 28, 1994, establishing a "Single Agency Manager" (SAM) and assigning the Army as the Executive Agent. The SAM was chartered to design and administer a common information technology system for the Pentagon and to ensure effective and efficient use of the full spectrum of information technologies to eliminate the requirement for each DoD Component to establish, operate, and maintain duplicative communication and computer capabilities.

On March 1, 1995, the Deputy Secretary of Defense signed DoD Directive 8220.1, "Single Agency Manager (SAM) for Pentagon Information Technology Services (ITS)." That Directive applies to the occupants of the Pentagon and, as feasible, to locations outside the Pentagon as mutually agreed upon between the SAM and the DoD Components. Telecommunications responsibilities for the Pentagon and related Pentagon projects transferred from the DTS-W to the SAM on May 9, 1995, in a memorandum of agreement. Consequently, services and products formally provided by the DTS-W to the Pentagon are provided by the SAM. The DTS-W continues to provide services to DoD organizations outside the Pentagon Reservation within the NCR.

DTS-W Oversight and Organizational Structure. The DTS-W is one of 10 organizations controlled by the Office of the Administrative Assistant to the

Secretary of the Army. The Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) provides telecommunications policy and planning and resource guidance. The Director of Administration and Management, Office of the Secretary of Defense, coordinates, as appropriate, the DTS-W support services policies between DTS-W and DoD Component organizations in the NCR. The Director, Defense Information Systems Agency, provides technical telecommunications guidance to the DTS-W.

As of March 6, 1995, the DTS-W has three divisions in the NCR, the Plans and Resources Division (Pentagon), the System Support Division (Rosslyn), and, the Implementation Division (Rosslyn). Each division has two branches. The Technical Services Branch of the System Support Division, at Fort Belvoir, Virginia, is the only branch not collocated with its division. In addition to the three divisions, the Director, DTS-W, is supported by a Deputy Director and three staff offices to include administration, automated data processing, and the Quality Executive Council, which acts as the DTS-W steering committee for the DTS-W total quality management process. Administrative support to the DTS-W is primarily provided by the organizations within the Office of the Administrative Assistant to the Secretary of the Army.

Civilian Personnel Management. The December 21, 1994, memorandum from the Administrative Assistant to the Secretary of the Army, "Work Year Limitations for Activities Resourced Through Operating Agency 22," authorized the DTS-W 172 personnel to accomplish its assigned missions for fiscal year 1995. As of September 20, 1995, the DTS-W had a total of 155 personnel assigned at the Pentagon, Rosslyn, and Fort Belvoir. The Personnel and Employment Service, Washington, provides civilian personnel support to the DTS-W.

DTS-W Funding Sources. The DTS-W does not directly participate in the DoD Planning, Programming, and Budgeting System process to determine and obtain resources and funding. The DTS-W resources and funding are determined and obtained from other sources within DoD that participate in the DoD Planning, Programming, and Budgeting System process. Those sources include the Secretary of the Army and the 382 DoD customers providing reimbursements for DTS-W telecommunication services in the NCR.

The DTS-W purchases telecommunication services from vendors and passes the full cost along with its operating costs to the DoD customer. All DTS-W costs incurred are either rendered directly to each customer for services or prorated to each customer based on the number of lines or line capacity used. Costs directly charged to customers include long-distance calls; local calls; data network costs; lines and station equipment; and charges for services, facilities, and equipment. Costs charged to customers by prorating include common-user services and equipment, contract, and personnel services and miscellaneous charges. The DTS-W program expenditures for fiscal year 1994 totaled \$181 million.

Information Resource Management Support. The DTS-W employs a contractor, Madentech, for automation support. The Army Information Management Support Center also provides office automation support services to

Appendix C. Additional Background

DTS-W under a support agreement. The Army Information Management Support Center area of responsibility includes operating a VAX computer and related hardware and providing software support for which the Army Information Management Support Center has five full-time personnel assigned to the DTS-W computer room. Additionally, Madentech has several full-time technicians staffing the DTS-W "help desk."

In addition to the above support, DTS-W has its own Information Management Support Branch. The staff for the Information Management Support Branch has grown from one GS-12 position in 1992 to six positions. The Information Management Support Branch is responsible for DTS-W Automated Information System infrastructure requirements. The branch reviews, plans, and organizes computer requirements for DTS-W.

Appendix D. Other Matters of Interest

Inventory Management

Long-standing Systemic Problems. Problems with telecommunications inventories and revalidation of requirements are systemic and long-standing within the DoD. For example, Inspector General, DoD, Audit Report No. 90-005, "Audit Report on Requirements Validation for Telecommunications Service," October 16, 1989, concluded that communications managers did not adequately revalidate the requirements for existing telecommunications services and, therefore, paid for services that were no longer required. The report based that conclusion on the number of unneeded circuits still in service. Specifically, of 1,323 circuits reviewed, 21 percent was not needed or used. The lack of a comprehensive revalidation process led to the DoD paying for unneeded services costing at \$21.3 million. The results of our evaluation show that the problem remains today and that improvements to inventory management are needed.

Since 1991, the DTS-W described the problems related to inventories as a material weakness in its annual statement of assurance, noting that "without regular physical inventories, we cannot be certain that the vendor invoices, that we are certifying for payment, are 100 percent correct." In May 1994, the DTS-W initiated a plan to alleviate the inventory problems by arranging a contract to develop, implement, and perform a standardized and automated telecommunications inventory and reconciliation for the NCR. The statement of work justifies the contract, stating:

Due to the DTS-W's lack of resources to conduct the inventory and TEMPO [Telecommunications Modernization Project] verification, and the lack of resources and expertise at the customer level, the inventory shall be conducted by an impartial vendor. The inventory program will result in a standardized inventory documentation process and procedure.

When we asked DTS-W personnel involved in developing the statement of work whether establishing a contract for inventories was the DTS-W responsibility, they responded that they firmly believed DTS-W should provide its customers a tool to perform the inventories.

DoD policy states that the DoD Components are responsible for performing the inventories, establishing standard data bases with the Defense Information Systems Agency, and providing copies of their inventories to the DTS-W. The DTS-W is responsible for "coordinating" with the DoD Components regarding telecommunication inventories. The connection between performing the inventory and reporting the results and DTS-W coordination role are not clear. As a result, the DTS-W assumed the responsibility of performing the DoD inventories. In assuming that responsibility, the DTS-W diverted resources from its mission to functions more appropriately done by other organizations.

Appendix D. Others Matters of Interest

Although the DTS-W was not responsible for performing inventories, its independent action brought about some positive results. For example, seven DoD Components used the contract to perform their inventories.

DoD Component Use of the Contract. The DTS-W arranged contractor support to perform the inventories. The contract was a firm fixed-price, indefinite-delivery, indefinite-quantity contract valued at \$2.8 million; one modification increased the amount to \$4.9 million. Of the 382 Components only 7 used the contract for inventory responsibilities. The results for those that used the contract are depicted in the table below. Use of the contract to perform the inventories represents a high rate of return on investment.

Telecommunication Physical Inventory

<u>DoD Component</u>	<u>Value of Unneeded Services¹</u>	<u>Value of Missing Equipment¹</u>	<u>Contract Cost</u>
NGB ²	\$196,536	\$81,696	\$17,463
NSWC ²	53,700	166,974	41,514
USUHS ²	20,268	37,017	16,946
DIA ²	41,724	0	83,759
ARSG ²	11,112	0	7,736
ACOE ²	125,064	81,732	18,635
OCAR ²	<u>11,400</u>	<u>38,803</u>	<u>5,335</u>
Total	\$459,804	\$406,222	\$192,048

¹Value is based on the annual charge for the services and equipment.

²National Guard Bureau (NGB), Naval Surface Warfare Center (NSWC), Uniformed Services University of Health Sciences (USUHS), Defense Intelligence Agency (DIA), U.S. Army Surgeon General (ARSG), U.S. Army Corps of Engineers (ACOE), Office of the Chief of Staff Army Reserve (OCAR).

Maintenance of Inventories. Despite the efforts of the DTS-W to solve inventory problems, it did not meet its requirement to maintain copies of the inventories. DTS-W developed no mechanism to require, compile, or collect the inventories. The DTS-W should analyze and review inventories to ensure that it acquires only necessary telecommunications services, facilities, and equipment for the DoD Components in the NCR.

Practices of Other Organizations

In conjunction with the evaluation and the customer survey we performed of personnel who manage and monitor telecommunications activities for the DoD Components in the NCR, we compared telecommunications services support of

other organizations that have the same or similar functions as the DTS-W. We focused on the billing process because it was the area most identified by DoD Components as needing DTS-W management attention.

During our review of the organizations, we identified processes and practices that could be considered in improving billing of telecommunications services for DoD Components within the NCR. We also used the insights gained from our review to complement our analysis process and to develop recommendations for the telecommunications issues identified in our report. We did not verify the data the organizations provided us, therefore, our use of those organizations as examples should not be construed as an endorsement or confirmation of any benefits. A list of the organizations visited or contacted is in Appendix H.

Management of Billing Processes. Each organization developed processes aimed at eliminating steps in the billing process, improving timeliness, and increasing accuracy. For most organizations, the vendor deals with the customer directly. For example, bills are processed by the vendor and sent to the customer, and the customer paid the vendor directly.

General Services Administration. The Information Technology Service, General Services Administration, is responsible for its telecommunications services. The General Services Administration billing process uses the vendor to issue the billings. The vendor generates monthly bills, and customers can pay bills by electronic transfer. The vendor includes an overhead charge, based on the number of customer lines, to cover maintenance and management of the process.

Department of Transportation. The Department of Transportation billing process is centrally managed by the Departmental Services Branch, Internal Revenue Service, Department of Transportation. Magnetic tapes from the vendor are input into a software program that generates a comprehensive billing statement. The statement includes billing history, overhead, current charges, recurring and nonrecurring costs, and the basis for prorated charges. The Department of Transportation process includes a revolving fund supported by annual contributions from its customers. Those contributions are based on projected usage and are adjusted throughout the year as needed.

Social Security Administration. The Social Security Administration was awarded the Agency Award for Excellence in the Application of Information Technology for 1992 and 1993 by *Government Computing News*, and the Federal Leadership Award for 1994, by the *Government Executive Magazine*. The awards were given to the Social Security Administration for its methods in managing billing procedures.

The Social Security Administration manages its telecommunications services support centrally, but charges no overhead for its support. Each customer works directly with the vendor to arrange service and to pay the bills. However, a central office reviews all telecommunications requests for service and monthly bills. The customers are funded annually by the central office and pay the vendors directly.

Appendix E. Unliquidated Obligations

DoD Components Unliquidated Obligations at DTS-W

	<u>FY</u>	<u>Type</u> ¹	<u>Obligated</u>	<u>Disbursed</u>	<u>Remaining Balance</u>
NAVSEA ²	1993	OPN	\$ 1,106,500	\$ 0	\$1,106,500
	1992	OPN	4,430,000	1,841,039	2,588,961
	1995	OMN	4,689,426	176,850	4,512,576
	1994	OMN	4,800,515	4,575,271	225,244
	1993	OMN	6,513,116	5,869,654	643,462
	1992	OMN	6,209,614	6,152,967	56,647
	1991	OMN	<u>6,246,341</u>	<u>6,181,263</u>	<u>65,079</u>
	Subtotal			\$33,995,512	\$24,797,044
NAVAIR ²	1992	OPN	\$ 1,742,672	\$ 1,974,047	\$ (131,375)
	1990	OPN	740,701	120,893	619,808
	1995	OMN	2,246,749	0	2,246,749
	1995	OMN	356,400	0	356,400
	1994	OMN	2,181,409	1,294,672	886,737
	1994	OMN	360,100	17,120	342,980
	1993	OMN	2,835,600	2,803,479	32,121
	1993	OMN	528,000	0	528,000
	1992	OMN	2,916,330	2,864,264	52,066
	1992	OMN	497,700	0	497,700
	1991	OMN	2,718,648	2,877,862	(159,214)
	1991	OMN	<u>456,000</u>	<u>432,978</u>	<u>23,022</u>
	Subtotal			\$17,803,309	\$12,385,315
HRC ² NAVSEA	1995	OMN	\$ 150,000	\$ 1,000	\$ 149,000
	1994	OMN	275,000	184,586	90,413
	1993	OMN	292,400	256,870	35,529
	1992	OMN	282,019	199,765	82,254
	1991	OMN	286,806	286,805	(1)
	1990	OMN	<u>242,988</u>	<u>241,283</u>	<u>1,694</u>
	Subtotal			\$ 1,292,213	\$ 1,170,309

Appendix E. Unliquidated Obligations

	<u>FY</u>	<u>Type</u> ¹	<u>Obligated</u>	<u>Disbursed</u>	<u>Remaining Balance</u>
U.S. Army					
ISSC ²	1995	OPA	\$ 196,353	\$ 0	\$ 196,353
	1994	OPA	1,061,765	745,301	316,464
	1995	OMA	508,367	241,957	266,410
	1994	OMA	1,007,068	747,195	259,872
	1993	OMA	51,754	43,598	8,156
	1992	OMA	<u>276,485</u>	<u>199,127</u>	<u>77,358</u>
Subtotal			\$ 3,101,792	\$ 1,977,178	\$ 1,124,613
Total			\$56,192,826	\$40,329,846	\$15,976,965

¹Other Procurement Navy (OPN), Operational and Maintenance Navy (OMN), Other Procurement Army (OPA), Operational and Maintenance Army (OMA).

²Naval Sea Systems Command (NAVSEA), Naval Air Systems Command (NAVAIR), Human Resources Center (HRC), Information Systems Software Center (ISSC).

Appendix F. DoD Component Survey

Background and Purpose

We surveyed the DoD Components in the NCR to assess the process and procedures the DTS-W used in providing telecommunication support services. We considered the DoD Component input integral to our evaluation, because telecommunications is a serviced-based activity dependent on individuals. The survey supplemented data we obtained from visits and interviews with telecommunications managers. Our analysis results are based on simple tabulation of the data, not on a statistical projection.

Sample Universe

We distributed the questionnaire to a random sample of the 382 DoD Components throughout the NCR. We sent 171 questionnaires to the selected DoD Components; 65 questionnaires were returned, giving us a 38-percent response rate. The questionnaire requested that the respondent identify his or her position, such as supervisor, analyst, technician, clerk, manager, telecommunications point of contact, or telecommunications service control officer.

Summary of Analysis

Our analysis was based on responses covering a wide range of procedures and customer experience with the DTS-W. Participants were asked to select the most applicable response or responses provided with each question. Additionally, we requested and received written comments. Of 605 possible responses, only 10 responses to particular questions were omitted. As a result of our analysis of the survey data, we concluded that the DTS-W needs a better process to receive and consider the concerns expressed by the DoD Components in the NCR and to provide feedback to them.

Significant Survey Results

Telecommunications Architecture Design. Of those who responded to the survey, 50 percent was not satisfied with the DTS-W efforts to design a telecommunications architecture to ensure responsive telecommunications support. Telecommunication service control officers commented that they would

like to have more input in decisions regarding updates or upgrades of the telecommunication equipment and services within the NCR. Those officers also stated that the local area network and wide-area network services need to be enhanced.

DTS-W Accounting and Billing. Of the respondents to the survey, 80 percent indicated that they were very, generally, or marginally dissatisfied with DTS-W accounting and billing methodology and timeliness. Supervisors and managers commented that bills were generally 6 to 8 months late, and in one case, 3 years late. Supervisors and managers also stated that billing documents are hard to understand and that they would like to receive bills no more than 45 days after the end of a billing period.

The telecommunication service control officers' comments mirrored the supervisors' and managers' concerns regarding the timeliness and clarity of the billing documents. In addition, the telecommunication service control officers stated that bills are not accurate, correcting billing errors is difficult, visibility of expended funds is lacking, DTS-W overhead charges are exorbitant, and the DTS-W is unable to provide accurate overhead estimates. The telecommunication service control officers would like to improve tools and methods for reconciling their bills and to have bills sent electronically.

DTS-W Response to Customer Inquiries. Fifty percent of the sample respondents was dissatisfied with DTS-W handling of customer questions and problems. Respondents indicated that the DTS-W does not respond appropriately and in a timely manner to request assistance. Ten supervisors and six managers stated that the DTS-W needs to become more responsive to its customers. Those same supervisors and managers stated that the DTS-W does not always return phone calls, that they have to go to the Director or Deputy Director to get action, that work orders are canceled without feedback, and that many offices must be contacted in search of an individual who can answer questions. One supervisor would like to remove DTS-W from the process so that the local installations can deal directly with the vendors.

The telecommunication service control officers comments were similar to those of the supervisors and managers. The telecommunication service control officers stated the following.

- o Some account managers cannot answer technical questions, causing the officers to call AT&T or some other vendor for the answer.

- o Identified problems go unresolved, causing the same problem to reoccur.

- o Every call is answered by voice mail and messages "die in a voice mail box," or messages that are answered are answered late.

- o Two telecommunication service control officers recommended that the DTS-W personnel do away with their voice mail system and physically answer phones.

Appendix F. DoD Component Survey

Customer Requirements. Of those responding to our survey, 50 percent was dissatisfied with the process DTS-W uses to modify and update customer system requirements. Supervisors, managers, and telecommunication service control officers would like more technical support from the DTS-W in determining requirements and a contract that provides an improved voice mail system at a lower cost. Voice mail is now charged by the line rather than the less expensive "key system" that was used by DTS-W customers in the past. Also, several respondents stated that it was difficult to obtain accurate and timely funding data from the DTS-W which caused funding problems.

One telecommunication service control officer submitted numerous work orders to the DTS-W only to find out from the technician sent out by the vendor to perform the work that additional technical information was needed. The DTS-W did not inform the officer of the need for additional information before the technician arrived to perform the work. The additional work caused an increase in cost. The telecommunication service control officer would like the DTS-W to provide product information needed to place orders through the telecommunication modernization project contract. One person suggested that the DTS-W should provide training to its account managers so that they can better support the DoD Components in determining telecommunication requirements.

DTS-W Efforts to Solicit Feedback. Fifty-six percent of those responding to the survey indicated dissatisfaction with DTS-W efforts to solicit feedback on telecommunication services provided. A supervisor and a manager stated that they have not been asked for feedback regarding their satisfaction with DTS-W support.

DTS-W Contact Representatives. Eighty-two percent of those responding to the survey indicated they did not know who to contact at the DTS-W when questions or problems arise. One manager suggested that the DTS-W needs to identify a point of contact in all its correspondence, bills, and usage reports. Telecommunication service control officers recommended that the DTS-W publish a listing or organizational chart that identifies all personnel, their responsibilities, and phone numbers.

DTS-W and DoD Component Working Relationship. Fifty-six percent of the survey respondents expressed some dissatisfaction with their working relationship with the DTS-W. Supervisors, managers, and telecommunication service control officers suggested that it might be better to work directly with the vendors and to close the DTS-W offices. Supervisors, managers, and telecommunication service control officers also suggested that both the DTS-W account managers and the telecommunication service control officers need additional training to overcome the lack of technical expertise.

Appendix G. Summary of Potential Benefits Resulting From Evaluation

Recommendation Reference	Description of Benefit	Type of Benefit
A	Program Results. A cost-benefit analysis could identify comprehensive management measures to correct deficiencies, improve process definition and policy, enhance effective management controls, and enhance process effectiveness.	Nonmonetary.
B.1.	Program Results. Enhances timeliness and process effectiveness.	Nonmonetary.
B.2.	Economy and Efficiency. Stops procurement action for a system that is not needed.	\$3 million in proposed Operational and Maintenance funding could be put to better use in FYs 1996 and 1997.
C.1.	Program Results and Management Controls. Develops a program to improve communications and responsiveness with customers.	Nonmonetary.
C.2.	Program Results and Management Controls. Emphasizes management controls of billing and accounting processes and the review and reconciliation of unliquidated funds to ensure timeliness and accuracy in the billing process.	Nonmonetary.
C.3.	Program Results. Establishes a training program that should improve communications, and provides a better understanding of the billing and accounting process and a forum to exchange ideas to improve overall telecommunications services support.	Nonmonetary.

Appendix H. Organizations Visited or Contacted

Office of the Secretary of Defense

Assistant Secretary of Defense (Command, Control, Communications, and Intelligence), Washington, DC
Director, Administration and Management, Washington, DC

Joint Staff

Director for Command, Control, Communication and Computer Systems (J-6), Washington, DC

Department of the Army

Office of the Administrative Assistant to the Secretary of the Army
Defense Telecommunications Service, Washington
Defense Supply Service, Washington
Personnel and Employment Service, Washington
Information Management Support Center
Resource Services, Washington
Space and Building Management Service, Washington
Equal Employment Opportunity
Safety, Security, and Support Services, Washington
Information Systems Engineering Command
Defense Metropolitan Area Telephone System, St. Louis, MO
Defense Metropolitan Area Telephone System, Boston, MA
Defense Metropolitan Area Telephone System, Dayton, OH

Department of the Air Force

11th Communications Squadron, Bolling Air Force Base, Washington, DC
89th Communications Group, Andrews Air Force Base, MD

Department of the Navy

Naval Air Systems Command, Arlington, VA
Naval Sea Systems Command, Arlington, VA

Other Defense Organizations

Defense Information Systems Agency, Arlington, VA
Single Agency Manager for Pentagon Information Technology Services,
Washington, DC

Non-Defense Federal Organizations

Department of Transportation, Washington, DC
Department of the Treasury, Washington, DC
Social Security Administration, Baltimore, MD
General Services Administration, Washington, DC
United States Postal Service, Washington, DC

Appendix I. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense (Comptroller)
Deputy Chief Financial Officer
Deputy Comptroller (Program/Budget)
Assistant Secretary of Defense (Command, Control, Communications, and Intelligence)
Assistant to the Secretary of Defense (Public Affairs)
Director, Administration and Management
Director, Defense Logistics Studies Information Exchange

Joint Staff

Director for Command, Control, Communication and Computer Systems (J-6)

Department of the Army

Assistant Secretary of the Army (Financial Management and Comptroller)
Auditor General, Department of the Army
Office of the Administrative Assistant to the Secretary of the Army
Defense Telecommunications Service, Washington
Single Agency Manager for Pentagon Information Technology Services

Department of the Navy

Assistant Secretary of the Navy (Financial Management and Comptroller)
Auditor General, Department of the Navy

Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller)
Auditor General, Department of the Air Force

Other Defense Organizations

Director, Defense Contract Audit Agency
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Technical Information Center, National Security and International Affairs Division,
General Accounting Office

Chairman and ranking minority member of each of the following congressional
committees and subcommittees:

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
Senate Subcommittee on Communications, Committee on Commerce, Science, and
Transportation
House Committee on Appropriations
House Subcommittee on National Security, Committee on Appropriations
House Committee on Government Reform and Oversight
House Subcommittee on National Security, International Affairs, and Criminal Justice,
Committee on Government Reform and Oversight
House Committee on Budget
House Subcommittee on Telecommunications and Finance, Committee on the Budget

Part III - Management Comments

Department of the Army Comments



DEPARTMENT OF THE ARMY
ADMINISTRATIVE ASSISTANT TO THE SECRETARY
WASHINGTON, D.C. 20310-0105



May 13, 1996

MEMORANDUM FOR THE INSPECTOR GENERAL, DEPARTMENT OF DEFENSE

ATTN: Mr. Thomas Gimble

SUBJECT: Evaluation Report on Defense Telecommunications
Service, Washington (Project No. 6RB-0009)

Attached is our preliminary command position to the subject report as requested. Also, request that a meeting be scheduled between us to further discuss our position. Please contact my secretary at 703-695-2442 to arrange a mutually agreed upon time.

Any questions concerning the command reply should be directed to my Director of Internal Review, Alvin D. Combs, RM 2D433, Pentagon, telephone 693-3323.


Joel B. Hudson

Attachment

Finding A. Telecommunications Support in the National Capital Region.

The telecommunications support missions of the Defense Telecommunications Service-Washington (DTS-W) and Single Agency Manager (SAM) for Pentagon Information Technology Services overlap and are not centrally managed. The Army has not clearly delineated organizational responsibilities, assessed the efficiency and effectiveness of having two organizations provide telecommunications services, and evaluated other alternatives such as streamlining, merging, or privatizing. As a result, the DoD does not have the most efficient and effective management structure for telecommunications service support in the NCR.

Additional Facts. Management disagrees with certain statements and implications included in Finding A. It should be noted that it was never the intended mission of SAM to become the telecommunications manager for the National Capital Region, and it has never been the mission of DTS-W to provide computer and related information systems products and services. The following comments are provided in the interest of accuracy and to enhance objectivity:

1. **The SAM as DOIM.**

The Secretary of the Army is tasked by the Secretary of Defense to be the Executive Agent and provide for centrally managed telecommunications support services in the National Capital Region. This is accomplished through two primary organizations established by OSD under the Secretary of the Army, the Defense Telecommunications Service-Washington (DTS-W) and the recently created Single Agency Manager for Pentagon Information Management Technology Services (SAM). Since the SAM organization is less than one year old, the Army has not yet fully assessed the efficiency and effectiveness of the SAM providing telecommunications support within the Pentagon in addition to SAM's many other ITS services and products. However, the SAM/DTS-W relationship is consistent with the longstanding DTS-W relationship with the various posts, camps, and stations in the NCR. The Directors of Information Management (DOIM's) at Ft. Myer, Ft. McNair, Ft. Belvoir, WRAMC, MTMC, and AMC locally manage Army telecommunications, computers, printing, etc. for all tenants at their base/location. The Air Force fulfills a similar on-base mission at Bolling AFB as does the Navy at the Bethesda National Naval Medical Complex. The DOIM or local base information systems officer orders DoD standards compliant telecommunication systems and services through DTS-W competitively awarded contracts such as TEMPO, Harris, BAMS, and Pagenet. DTS-W centralized management in the NCR ensures economy of scale through award of bulk purchase contracts, compliance with DoD and GSA technical policy and planning initiatives, validation that technical solutions will satisfy customer requirements, and fee for service billing.

2. **Memorandum of Agreement.**

Since the SAM organization provides many Information Technology Services (ITS), an erroneous conclusion could be drawn that SAM overlaps the DTS-W mission in the one area of telecommunications. This is clearly not the case based on the Memorandum of Agreement

(MOA) between DTS-W and SAM. To clarify and prevent overlap of functions, and to set lines of responsibility and authority, the SAM and DTS-W organizations established a Memorandum of Agreement during May 1995. The agreement formalizes the assumption by the SAM of local telecommunication responsibilities within the Pentagon, and the DTS-W retains responsibility of support outside the Pentagon. The MOA defines the boundaries for SAM telecommunication operations and support in the following statements "...the SAM is responsible for ITS within the Pentagon which includes the telecommunication services" and also states that "...DTS-W will provide TEMPO Network Services to the Pentagon Reservation (the Pentagon proper and Swing space, not to include the Navy Annex)". Consequently, the SAM orders telephone, pager, cellular and other services using DTS-W NCR telecommunication contracts while DTS-W provides network access to TEMPO, DSN, FTS 2000, international and local calling. DTS-W also directly bills Pentagon tenants for all the services above and pays the various vendors. SAM boundaries are further addressed in DoD Directive 8220.1. The SAM directive states "...Covers the provision of ITS for the Pentagon and other areas as agreed to by the SAM for Pentagon ITS and the DoD Components", but also goes on to state "... Existing policies, procedures, regulation, instructions, directives... shall remain in effect until explicitly superseded..." and also that "... The SAM for Pentagon ITS shall provide ITS that are consistent with existing agreements concerning unique systems, command centers, and DoD Component Executive Agents..."

Lastly, DoD Directive 8220.1 states that the SAM shall "...Negotiate support agreements for augmented and collocated personnel support, equipment and work effort..." and "...Develop and implement support agreements such as memoranda of agreement, inter-service support agreements, and service-level agreements...". It is abundantly clear that OSD anticipated and planned for support relationships between SAM and other organizations such as DTS-W.

3. Different Missions.

As noted in paragraphs 1 and 2 above, the vast majority of SAM responsibilities are very different from those of DTS-W. In the NCR, DTS-W manages the DoD consolidated telecommunications system with a staff of 150 employees and approximately 550 contractor personnel. By comparison, the SAM employs less than 1% of its 2,000 personnel (approximately 10 people) managing former DTS-W provided services in the Pentagon. The remainder of the SAM staff support the following Pentagon functions:

- | | |
|-------------------------------------|---------------------------------|
| o publications | o computer mainframe operations |
| o message centers | o LAN O&M |
| o tech control centers | o mailroom |
| o secure voice systems | o tactical switches |
| o connectivity to radio & satellite | o audio-visual services |

It should also be noted that the Pentagon comprises only 10% of the 2,000 to 3,000 service orders processed by DTS-W per month in the NCR. In addition, there is a fundamental difference in how DTS-W and SAM perform their different missions. The SAM primarily uses in-house military and federal civilian employees to provide O&M of the above functions, while DTS-W employs contractor personnel to install, move, rearrange and maintain the DoD

NCR consolidated telecommunications system.

Lastly, as the DODIG explains in its evaluation report, the genesis of SAM is the OSD directed and managed Pentagon Renovation Project. It is clear from the earliest planning documents cited by the DODIG as well as Deputy Secretary of Defense memorandum dated 28 March 1994 that the focus of SAM for the next 10+ years is the Pentagon Renovation Project. That effort alone will severely tax the resources of the SAM organization.

4. Automation Support.

The DoDIG report states that DTS-W should "act now to ensure that the most efficient and effective means are used for its operations" by sharing SAM automation resources. In an attempt to pursue the DoDIG's suggestions regarding sharing SAM's automation capabilities, DTS-W asked the IG representative for his points of contact in the SAM so that DTS-W might begin to explore this issue. DTS-W contacted the SAM on 2 October 1995 and discussed the SAM's automation capabilities as described by the IG. The SAM representative stated that he was unaware of whether or not SAM was in a position to support DTS-W's automation requirements, and that the only thing he was familiar with regarding SAM discussions with the DoDIG was a proposed collocation of the DTS-W system into the SAM's renovated joint computer facility. DTS-W conveyed the information received from the SAM to the IG representative. It is puzzling why some individuals in the SAM would be planning to relocate DTS-W's VAX 6520 while others indicate that they already have the capability to support DTS-W today using SAM spare capacity. DTS-W does recognize a problem with the VAX 6520, due to its age, it employs a non-standard database structure, however, the present DTS-W billing and automation system would not be enhanced by migrating that same non-standard database onto the SAM IBM computer.

It should also be noted that the use of a powerful mainframe computer for varied business applications is archaic. The industry has been decentralizing and distributing computer operations for several years, with the eventual goal being universal use of Client Server architecture. It has been best to modularize business applications on several small servers. This allows use of COTS software, avoiding expensive software development, and facilitates modification of processes, with minimal impact on processes not needing modification. These are but a few of many positive aspects of DTS-W's planned migration to distributed computing. The SAM mainframe may have a role in DTS-W's envisioned Client Server System as a consolidated database and production printing server, but it would be regressive and of limited advantage to only migrate the existing software to a new platform.

Recommendation for Corrective Action - Finding A.

We recommend that the Secretary of the Army perform a cost-benefit analysis to determine the most efficient and effective way to manage the Defense telecommunications support services within the National Capital Region. The analysis should include exploring

Department of the Army Comments

avenues such as streamlining, consolidating, merging, or privatizing organizations or functions.

Action Taken. Management concurs. The Administrative Assistant to the Secretary of the Army, The Director of Information Systems C4, and the Director of Management within the Office of the Director of the Army Staff are currently reviewing DTS-W and SAM organizational issues. Expected completion date of review is 30 September 1996.

Finding B. Electronic Imaging Purchase

The DTS-W proposal for archiving billing documents through an electronic optical disk imaging system is not cost-effective because DTS-W, through imaging, would be retaining billing documents beyond the 2-year period as stated in DoD policy guidelines. Further, DTS-W does not follow Army policy, which requires indefinite retention of documents related to uncollected accounts only. Because space and other resources are scarce, DTS-W plans to acquire an electronic optical disk imaging system to store those documents. As a result, DTS-W may spend as much as \$3 million for an imaging system to electronically maintain documents for which there is no requirement.

Additional Facts. Management disagrees with certain statements and implications included in Finding B. The following comments are provided in the interest of accuracy and to enhance objectivity.

1. **Document Storage and Retention**

After consultations with DSS-W, IMCEN, RS-W and the Chief Attorney-Acquisition, the joint determination regarding records retention is that DTS-W service orders and related billing information are part of the various contract files maintained for the DSS-W Telecommunications Contracting Division. The MARKS category that applies here is Army Regulation 25-1 which states that "contracts and related information" should be destroyed one year after termination of the contract. MARKS does not define "termination". However, the Federal Acquisition Regulation (FAR) Part 4.805 states that contracts over \$25,000.00 must be retained for six years and three months after final payment. Contracts under \$25,000.00 must be kept for three years after final payment and related documents for one year after final payment under the contract. Final payment may occur many years after actual performance ends. Until final payment has occurred, a contractor may make a claim. It is therefore appropriate for DTS-W to store such records for three or six years and three months (as appropriate) after final payment is made under the contract. The TEMPO and Harris contracts are ten year contracts. Smaller DTS-W contracts such as those for pagers and cellular phones were awarded for five years. In addition, service order and billing records are critical to DTS-W and DSS-W in determining the validity of billing claims, and to preserve the government's rights in case of litigation. The Federal Manager's Financial Integrity Act (FMFIA) holds managers accountable as the stewards of federal resources. Differing interpretations of MARKS guidance notwithstanding, DTS-W must employ prudent business judgement in its bill payment processes. Indeed, the purpose of MARKS is to ensure that "the commander and staff have the information needed to accomplish the mission; that they have it when and where they need it; [and] that they have it in usable format . . .". (See AR 25-400-2, paragraph 1-1(d)). Retention of billing records for three or six years and three months (as appropriate) after final payment on the related contract meets MARKS and FAR guidance as well as the mandate in the FMFIA to safeguard federal resources. *(For additional justification for DTS-W's position taken on this finding, see response to Finding C, Review and Validation of Accounts, DoD Component Unliquidated Funds.)*

2. Electronic Optical Disk Imaging (ODI) System and Upgrade & Electronic Imaging System.

In August 1995, DTS-W submitted an ODI system requirements package to the Army Information Management Center (IMCEN) for concept approval and budgeting. The DTS-W ODI requirements package included an IGCE of \$3 million to acquire and install as well as operate and maintain the ODI system for two years. The resulting contract vehicle would have required the contractor to first evaluate ODI technology and how it applies to DTS-W mission requirements for maximum effectiveness. Secondly, this same contracting vehicle would have included incremental funding by task order which would have ensured that proper requirements analysis was completed, including cost benefit analysis, before any implementation was approved.

Imaging is not just scanning, conversion and archival, but a method by which electronic commerce—a Presidential initiative—can be accomplished. The DTS-W vision and architectural goal is to make imaging a part of DTS-W's information and workflow process to store, organize, and allow electronic retrieval of information to the customer desktop. The elimination of the ODI system from the overall automation enhancement program places DTS-W at a disadvantage to improve upon areas criticized by the DODIG elsewhere in this report.

Lastly, the DoDIG states that paper is a relatively low-cost method of archival for documents. It is important to note that the DTS-W ODI System requirements package included, as part of the system design, a requirements analysis (prior to system procurement) which was to determine what data would be cost effective to image. Paper storage was to be maintained where cost effective. DTS-W offers the following brief monthly statistical data related to the processing of paper:

- o DTS-W's biggest vendor bill (only one bill) is delivered monthly in 13 boxes, totaling approximately 65,000 pieces of paper.
- o SAM uses approximately 28 boxes of paper per month to print DTS-W's bill and usage reports, totaling approximately 56,000 sheets of paper.
- o DTS-W computer room (VAX 6520) uses a variety of paper per month to process DTS-W business applications, totaling approximately 135,000 sheets of paper.
- o DTS-W internally uses approximately 32,000 sheets of paper per month in support of its desk top business processes (Xerox's, printers and Fax machines).
- o Various monthly handling, shipping and mailing requirements are processed by a variety of personnel within DTS-W, estimated to occupy approximately 10 to 14 workdays per month.

There are many related but undefined costs associated with DTS-W processing of paper today, such as the cost of the materials and labor/manhours expended monthly in handling, shipping and mailing. The planned ODI system cost benefits analysis would have ascertained

these costs. The ODI system was in concert with on-going efforts underway to facilitate transfer of electronic data from the vendor community directly into the DTS-W system.

3. Alternative Document Retention Practices.

Practices Within Other Defense Metropolitan Area Telephone Systems.

DTS-W Management contacted a representative of the DMATS-St. Louis as suggested in the DoDIG draft report. The individual contacted indicated that DMATS-St. Louis indeed does not use ODI technology nor retain billing documentation beyond two years. However, their servicing F&AO retains copies for them. It is unlikely that the DTS-W F&AO could do likewise due to the sheer volume of paper associated with one of the monthly bills (13 boxes per month with approximately 65,000 pieces of paper for just the largest vendor). DMATS-St. Louis supports 15,000 switched lines at total annual billings of \$7,500,000.00 vice 160,000 switched lines at total annual billings of \$180,000,000.00 for DTS-W. Also, it should be noted that DTS-W representatives have attended DMATS conferences over the past several years.

Recommendation for Corrective Action - Finding B.

Finding 1 Document Storage and Retention.

We recommend that the Director, Defense Telecommunications Service-Washington follow time lines established in Army Regulation 25-400-2, "The Modern Army Recordkeeping System," for record retention.

Action Taken: Management Concur. DTS-W is filing records in compliance with MARKS. Also, DTS-W will appoint a team to search the files in the file room to identify and destroy those records which are noncompliant with the joint determination noted in management comments above. Expected completion date is 2 August 1996.

Finding 2 Electronic Optical Disk Imaging System and Upgrade.

We recommend that the Director, Defense Telecommunications Service-Washington stop action to procure an electronic optical disk imaging system.

Action Taken: Management concurs. DTS-W's action to procure an ODI system stopped in conjunction with the IMCEN nonconcurrence of same during August 1995. This was conveyed to the DoDIG Inspection Team during the inspection in September 1995. DTS-W continues pursuit of automation enhancements through the implementation of client server hardware and office automation software which enhances our business processes and improves customer service.

Finding C. Customer Service

"DTS-W does not effectively communicate and process feedback from customers, process timely and accurate billings, and perform periodic reviews of customer accounts. These administrative and management problems occurred because DTS-W does not have effective customer service and training programs or adequate management controls for its billing function. As a result, managers of telecommunications organizations often lack needed and reliable data that are necessary to manage and monitor telecommunications operations and resources and to maintain an acceptable level of customer services."

Additional Facts. Management disagrees with certain statements and implications included in Finding B. The following comments are provided in the interest of accuracy and to enhance objectivity.

1. DTS-W Efforts Providing Customer Service

1a. Customer Service Program

While DTS-W believes that there is room for improvement in its customer service program, DTS-W does, however have such a program. The following is a partial list of procedures/contacts that provide for communication and dissemination between DTS-W and its customers. DTS-W recognizes all of the initiatives listed below as important links to its customers.

Present two-way communication between DTS-W and its external customers:

- Semi-annual TSCO and Fiscal Officer Conferences
- Semi-annual Billing Conferences
- BAOSC Users Group monthly meetings
- Annual Bell Atlantic/DTS-W sponsored Customer Focus Group Meeting with monthly follow-up meetings to provide technical resolution of issues/initiatives brought up by customers at the annual meeting
- TSCO Voice Mail Broadcast System
- TSCO Electronic Mail Broadcast System (currently under development)
- Ft. Belvoir Technology Solutions Center
- TEMPO Technology Solutions Center
- DTS-W's Strategic Plan which requires annual updates from the customers

Present one-way communication between DTS-W and its external customers:

- DTS-W Handbook
- Quarterly Newsletter
- DOD Telephone Directory pages 1 - 30
- TSCO Policy & Procedures Memorandums (28 memos sent in 1994 & 57 memos in 1995)
- Both Ft. Belvoir and TEMPO offer technical training located at the Solutions Centers
- Bell Atlantic via TEMPO offers a quarterly technology focused magazine
- TEMPO FAX

Present internal customer focus groups:

- Quality Executive Council meeting (weekly)

- Leadership Action Team (monthly)
- Five On-going Process Action Teams
- Bi-Annual DTS-W All Hands meetings
- Annual DTS-W Staff Quality Off-site

Once again, DTS-W agrees that there is always room to improve its customer service program. Initiatives listed above allow communications between DTS-W and its customers which is intended to focus management's attention on issues, concerns, problems, as well as success stories.

1b. Charges to DoD Components

Since the DoDIG does not substantiate how they arrived at the "40-percent creep" in costs, DTS-W management feels compelled to comment on that statement. Two actions drive cost increases for DTS-W customers. First, they are simply ordering more services. Secondly, modernization or TEMPO will produce more high quality service but will initially be more costly. The conversion from the older installed and fully amortized CENTREX system to TEMPO was mandated by the combination of divestiture of the Bell System from AT&T and the Competition in Contracting Act. Since DTS-W was mandated to competitively acquire a new system, this drove DTS-W to make capital investments in new equipment and services. DTS-W management assumes that the DoDIG's reference to 40-percent rise in costs might be based on a comparison with total prior year expenditures. If DTS-W's assumption is correct, then what might appear to be cost creep is in actuality an increase in services provided to customers. The TEMPO contract provides a variety of new products and services (in excess of 30,000 CLINs) to the customer base that when procured appear on the yearly expenditures. An example of this new type of expenditure is Local Area Networks which total approximately \$12,000,000.00 annually. Other examples would be digital customer premises equipment, network termination equipment, voice mail platforms, and other ancillary equipment and services. A more accurate "apples to apples" comparison of costs should note that DTS-W's TEMPO switched line costs are extremely close to the old CENTREX switched line costs. We recognize that there was a switched line cost increase for some customers due to the implementation of the OSD policy regarding single line concept which increased the total switched line billings as customers converted to ISDN digital service.

1c. Timeliness in Relation to the Billing Process.

The sheer size of many of the bills that DTS-W processes complicates compliance with the Prompt Payment Act (PPA). The Defense Finance and Accounting Service's report was the first to identify this vulnerability. The DFAS continues to work closely with DTS-W to resolve the complexities that complicate DTS-W compliance. DTS-W does large volume, high dollar business with large and sophisticated contractors. DTS-W has rarely been challenged for its decisions not to make PPA interest payments due to the fact that delays can be shown to be attributed to mutual bill processing problems. PPA permits the rejection of flawed invoices to vendors. This, however, has not helped the timeliness of DTS-W's billings to its customers. As explained to the DoDIG staff, DTS-W's largest contract i.e. TEMPO has not been correctly billed

by the vendor for even one billing cycle during the life of the contract, and contract default is not a realistic option. Another factor related to late billings are charges for FTS2000 and International Switched Voice Service. Those bills are received from the Defense Information Technology Contracting Office two to three months after the close-out of the month being billed. DTS-W has requested and hosted meetings between DITCO and DTS-W to try to improve upon this process but were informed that DTS-W receives billing in accordance with the terms and conditions of the respective contracts.

1d. Data Provided by DTS-W

DTS-W recognizes and agrees that there are opportunities to improve its responsiveness to customers' inquiries. As DTS-W strives toward that objective, it can only be as accurate, timely, and responsive as vendor invoices allow. The cellular billing example cited in the DODIG report was a case where DTS-W enlisted the assistance of the contracting office, Defense Supply Service-Washington, to assist with resolution of non-billing by the vendor for a period in excess of six months. DTS-W is now current.

DTS-W has addressed the issue of providing cellular telephone usage reports as well as all other types of ordering, billing, and inventory database information. This was a major justification of the ODI requirements documentation (i.e. ODI would have allowed customers to call in and obtain copies of their billing data archived long-term vice what is maintained on-line today—only 45 days. Information requirements beyond 45 days currently requires retrieval of magnetic tape from archives.)

2. Review and Validation of Accounts

2a. DoD Component Unliquidated Funds

DTS-W concurs with the need for constant review of customer accounts. This is complicated by late vendor bills and the fact that both the customer and DTS-W take actions which obligate funds committed to the customers' accounts.

The DoDIG report recommends that DTS-W review undisbursed obligations and de-obligate undisbursed funds in compliance with procedures suggested in DoD Manual 7220.9-M. This, the report contends, will enable customers "to choose alternative uses for their funds." Due to the time periods suggested in the DoD Manual, this would only be of benefit to our customers for obligations established and delivered in the first two months of each FY. The manual suggests a 180 day grace period from delivery of goods/services before a notice is sent to the contractor regarding late billing, about a month later another notice is sent, and then two months later the obligation may be written off. Consequently, reviews performed in the third and subsequent months of the fiscal year would not permit the time periods as prescribed in the Manual due to fiscal year-end closeout when those funds may no longer be obligated. Unfortunately, the Manual does not serve to provide DTS-W with a Statute of Limitations for late vendor bills which would have eliminated many of the late DTS-W billings. In other words, regardless of 7220.9-M, DTS-W is still legally bound to pay late vendor bills. DTS-W continues to seek solutions and is open to recommendations which will make its billing more timely.

2b. Accuracy of Billing Records

Since both the customer and DTS-W take actions which ultimately result in charges to customer accounts, both DTS-W and the customer share the responsibility for verification of billing accuracy. To aid the customer with this responsibility, DTS-W provides them with information copies of all vendor invoices charged to their accounts. The DoD Instruction (DODI 5335.1) which governs DTS-W as well as the DTS-W Handbook assign the responsibility for monitoring, documenting, and maintaining records of agency telecommunications expenditures to the customers. The DODI 5335.1 also assigns to the customer the responsibility for validating that services billed are being furnished. Today's paper based approach is partly responsible for customer difficulties with carrying out this aspect of their responsibility. One common theme that arises loud and clear from customers is their desire for electronic data interface to the DTS-W system. If DTS-W could provide electronic data interface to customers, they would have a more timely and responsive management tool to perform their stewardship responsibilities.

2c. Different Telecommunication Circuit Costs

DTS-W agrees that switched line circuit costs do fluctuate. Monthly switched line costs are derived from an algorithm based on total monthly network component costs divided by total working switched lines. Consequently, as network components and switched lines are added and deleted, the monthly cost of a circuit will fluctuate. Of course, this is further complicated and aggravated by inaccurate and late bills from a large number of vendors. During the planning stages of TEMPO DTS-W made unsuccessful attempts with OSD and DISA to establish a revolving or working capital fund. This would have allowed DTS-W to fix rates on a fiscal year basis and provide its customers with rate stability.

2d. Charges for Telecommunication Circuits

Once again, customers have a responsibility to be good stewards of their resources. The responsibility for disconnecting unneeded switched lines is that of the customer. The duly appointed TSCO must place a disconnecting service order with the appropriate vendor. It has been the procedure for customers to place orders directly with the vendor, it is so documented in the DTS-W Handbook, and it has been practiced for at least twenty-five years. Between 1994 and 1995, DTS-W took a proactive approach in its reconciliation of switched line records (central office by central office). Where there were inconsistencies, DTS-W notified the appropriate customers via memorandum to verify the continuing need for services as a part of the efforts leading up to TEMPO Central Office Conversions. In pursuit of this initiative, DTS-W sent approximately one hundred customer memoranda.

Recommendation for Corrective Action - Finding C.

We recommend that the Director, Defense Telecommunications Service-Washington:
1. Develop a customer service program, that includes a customer feedback system to improve communications with DoD Component customers.

Action Taken. Management concurs. DTS-W will improve the Customer Service Program in place today. DTS-W has established five Process Action Teams under its TQM initiative which are focusing upon billing. DTS-W is currently migrating to client-server architecture as a means to improve billing processes. Expected completion date is 1 June 1997. In addition to the initiatives addressed above, DTS-W will recommend re-establishment of DMATS Conferences. Annual customer service surveys will be initiated effective 1 November 1996.

2. Issue a memorandum to personnel who process billings for DoD Components to emphasize the management controls over billing and accounting processes and over the review and reconciliations of unliquidated obligations to help ensure timely and accurate billings for the DoD Components.

Action Taken. Management concurs. DTS-W Management will issue the memorandum not later than 2 August 1996.

3. Take an active role in developing and conducting a comprehensive training program for managers of telecommunications services. Goals of that training program should be to improve communications, to provide a better understanding of the billing and accounting process and to exchange ideas to improve overall telecommunications services support.

Action Taken. Management concurs. In addition to the Customer Service Program noted above and discussed with the DoDIG Inspection Team while on-site, DTS-W recognizes the need to review and revise the Telecommunications Service Control Officers' (TSCO) Training and Certification Program. Under the auspices of DTS-W's Training and Quality Office, work has already begun to develop this initiative. This initiative will be completed in different phases—of which the first phase started in April 1996. Phase I, the assessment phase, includes internal and external (customers, suppliers, and Headquarters Services Support Activities) coordination of TSCO training requirements. A second phase will assess the overall training requirements identified during the first phase. Phase III will design and develop the course structure and lesson plan. As a result of the Lesson Plan, DTS-W will conduct internal and external training sessions between customers, suppliers, and Headquarters Services Support Activities to evaluate the overall effectiveness of the course structure and lesson plan. The final phase will be to incorporate any necessary improvements as a result of the evaluation. DTS-W's ultimate goal is to conduct TSCO Training and Certification on a routine basis by June 1997.

Evaluator Team Members

This report was prepared by the Readiness and Operational Support Directorate, Office of the Assistant Inspector General for Auditing, DoD.

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