



Highlights of [GAO-04-671](#), a report to the Honorable Janice D. Schakowsky, House of Representatives

VENDOR PAYMENTS

Inadequate Management Oversight Hampers the Navy's Ability to Effectively Manage Its Telecommunication Program

Why GAO Did This Study

Problems with management oversight and control of DOD's purchase card program led to concerns that similar issues exist for DOD's vendor payments. As a result, this report focuses on the Navy's telecommunication program and whether (1) the Navy has the basic cost and inventory information needed to oversee and manage these purchases and (2) selected Navy sites have adequate control to provide reasonable assurance that goods and services are purchased cost effectively and payments are made only for valid charges.

What GAO Recommends

To provide assurance that existing telecommunication policies are enforced, GAO recommends that the Navy (1) develop and maintain a complete inventory of services, (2) support DOD's efforts to track the cost of acquiring telecommunication services, and (3) establish comprehensive policies governing the purchase and use of cell phones and calling cards. GAO also recommends that the Navy develop a strategic management framework for improving the acquisition of telecommunication services. For the selected units audited, GAO made several recommendations aimed at improving controls over telecommunication transactions.

In written comments on a draft of this report, DOD agreed with 9 and partially agreed with the remaining 2 GAO recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-04-671.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Gregory Kutz, (202) 512-9095 or kutzg@gao.gov.

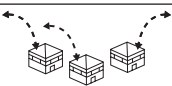

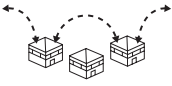
What GAO Found

The Navy did not know how much it spent on telecommunications and did not have detailed cost and inventory data needed to evaluate spending patterns and to leverage its buying power. Obtaining knowledge of current requirements and usage, as well as developing forecasts of future telecommunication needs, would assist Navy's acquisition planning to ensure future needs were met in a more cost-effective manner.

At the four case study sites we audited, management oversight of telecommunication purchases did not provide reasonable assurance that requirements were met in the most cost-effective manner. For local and long-distance services, these sites did not follow policies to biennially review and revalidate these requirements. As a result, they paid for services no longer required. Also, the Navy lacks policies to provide assurance that cell phone requirements are met in the most cost-effective manner. Cell phone usage at three sites was not monitored to determine whether plan minutes met users' needs. Consequently, these sites overpaid for cell phone services. Also, none of the sites had adequate controls over review of invoices to provide assurance of payments for only valid charges. These sites failed to detect erroneous charges and potentially improper use of these services.

In addition, the Navy lacks specific policies and processes addressing the administration and management of calling cards. Consequently, some sites did not know they owned and were being billed for calling cards. Other sites allowed calling cards to be shared and were unable to determine the legitimacy of the calls, and thus paid for potentially fraudulent or abusive long-distance charges. On one card alone, in a 3-month period, the Navy paid over \$17,000. However, because no one was regularly monitoring the activity on this card, the unit was unaware of potentially fraudulent charges. Not until the vendor's fraud unit raised questions about more than \$11,000 in charges incurred during the first 6 days of July 2003 was the card suspended.

Examples of Wasteful Telecommunication Payments

Type of service	Amount	Description	Internal control breakdown
 Long distance	\$36,000	Site paid for services no longer required over a 3-year period	Site did not review and revalidate requirements
 Cellular	\$34,000	Users exceeded monthly-allotted minutes, thus incurring excessive charges for extra minutes	Sites did not monitor cellular plans for cost effectiveness
 Local and long distance	\$25,732	Sites paid for erroneous charges such as vendor-assessed late fees and services no longer required	Sites lacked adequate controls over the payment, receipt, and acceptance of telecommunications

Source: GAO.