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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

74-0257

LOGISTICS AND COMMUNICATIONS
DIVISION

B-146864

AUG 17 1973



The Honorable Arthur F. Sampson
Administrator
General Services Administration

Dear Mr. Sampson:

We have examined into the possible increased use of the Federal Telecommunications System (FTS) by Government agencies and have found indications that they could have placed many commercial toll calls through FTS at reduced costs to the Government.

FTS was established in 1963 to provide economical and efficient telecommunications services for Government civil agencies. FTS, which is managed by the GSA, provides, among its many services, local and intercity (long-distance) telephone services.

GSA finances FTS and other communications services through a revolving fund known as the Federal Telecommunications Fund. Expenditures from the fund are reimbursed by the users. Fiscal year 1972 expenditures amounted to \$89.2 million for intercity voice service, including \$7.2 million for reimbursable commercial toll calls.

We made our review at GSA regional offices in Atlanta, Georgia (region 4); Chicago, Illinois (region 5); San Francisco, California (region 9); and Auburn, Washington (region 10). We also contacted other selected Government agency user organizations served by these four GSA regional offices.

We examined commercial toll calls placed, during monthly periods in late 1971, through 24 GSA switchboard locations to determine the extent that these calls could have been completed over FTS (FTS-eligible). Costs of commercial toll calls not eligible for FTS were eliminated when they could

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be identified. These included calls with tolls of 20 cents or less and collect, credit-card, third-party,¹ overseas, and person-to-person calls. The remaining calls were considered to be FTS-eligible. Our review showed the following for commercial toll calls.

	<u>Monthly costs</u>	<u>Projected annual costs</u>
Total calls	\$115,493	\$1,385,916
FTS-ineligible calls	<u>68,666</u>	<u>823,992</u>
FTS-eligible calls	<u>\$ 46,827</u>	<u>\$ 561,924</u>

Forty-one percent of the total costs were for FTS-eligible costs.

GSA's Office of Audits presented similar results in two reports issued during 1973 concerning commercial telephone charges in two regions, whose offices are located in New York, New York, and Washington, D.C. These reports projected that about \$1.9 million of the \$3.6 million in commercial telephone charges incurred in the two regions were for FTS-eligible calls.

Using GSA's procedures, we made a detailed economic analysis of commercial toll calls placed through 2 of the 24 GSA switchboard locations. We estimated that the Government could have saved \$15,096 annually, or 35 percent, of the \$43,416 incurred for commercial toll calls that were FTS eligible. (See enclosure.)

Among the general reasons given by representatives of various civil agencies for placing commercial toll calls were the difficulty in obtaining satisfactory FTS service (lines busy or inability to reach an operator) and lack of user knowledge of FTS capabilities.

¹Third-party calls are calls charged to telephones not involved in the calls.

At the time of our review, neither the four GSA regions nor the civil agencies' offices contacted had active programs for identifying instances and related circumstances when FTS could be used in lieu of commercial toll services. Although some agencies had programs to review commercial toll bills, their reviews were primarily to certify that the calls had been for official business and were not designed to identify instances when FTS could have been used in lieu of commercial toll services.

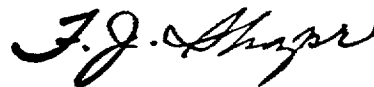
Because FTS is generally more economical than commercial toll service and considering the total costs incurred by the Government for commercial toll calls and the potential savings at the two switchboards, potential savings to the Government appear significant enough to warrant specific management attention.

We recommend, therefore, that you

- take action to identify the circumstances under which commercial toll services are used in lieu of FTS, and
- develop and implement policies and programs that would reduce Government costs through the use of FTS in lieu of commercial toll calls.

(1-4) We are sending copies of this letter today to Chairmen of the House and Senate Committees on Appropriations and Government Operations; the Director, Office of Management and Budget; and the Director, Office of Telecommunications Policy. 2300
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Sincerely yours,



F. J. Shafer
Director

Enclosure

ANALYSIS OF COMMERCIAL TOLL COSTS,
COMPARATIVE ESTIMATED FTS COSTS, AND
RESULTING ESTIMATED SAVINGS

MONTHLY COSTS OF COMMERCIAL TOLL CALLS:

<u>Switchboard</u> <u>locations</u>	<u>Cost of</u> <u>commercial calls</u>	<u>FTS-eligible calls</u>	
		<u>Quantity</u> <u>of calls</u>	<u>Toll</u> <u>charges</u>
Seattle, Wash.	\$6,470	1,262	\$1,931
Portland, Oreg.	<u>3,355</u>	<u>1,288</u>	<u>1,687</u>
Total	<u>\$9,825</u>	<u>2,550</u>	<u>\$3,618</u>

Total monthly costs of FTS-eligible calls \$ 3,618

ESTIMATED MONTHLY FTS COSTS:

Seattle, Wash.:

1,262 calls, assuming a 7-minute average holding time
would require 9 access lines at P.02 grade of serv-
ice (2 turnbacks per 100 attempts)
1,262 calls multiplied by 26.4 cents FTS backbone
cost factor per call \$333
Telephone company charges for facilities, including
termination equipment for nine lines 841

Total \$1,174

Portland, Oreg.:

1,288 calls, assuming a 7-minute average holding time
would require 9 access lines at P.02 grade of serv-
ice (2 turnbacks per 100 attempts)
1,288 calls multiplied by 26.4 cents FTS backbone
cost factor per call \$340
Telephone company charges for facilities, including
termination equipment, for nine access lines 846

Total 1,186

Total--both locations 2,360

ESTIMATED MONTHLY SAVINGS--BOTH LOCATIONS \$ 1,258

PROJECTED ANNUAL COSTS:

Costs of commercial toll calls which were FTS eligible (12X\$3,618)	\$43,416
Less estimated FTS costs (12X\$2,360)	<u>28,320</u>
Estimated savings	<u>\$15,096</u>