TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

Improved Cellular Telephone Inventory Controls Resulted in Significant Savings

December 2005

Reference Number: 2006-20-025

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.

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TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

December 19, 2005

MEMORANDUM FOR CHIEF INFORMATION OFFICER

Michael R. Phillips

FROM: Michael R. Phillips
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Improved Cellular Telephone Inventory Controls Resulted in Significant Savings (Audit # 200620004)

This report presents the results of our follow-up review of the cellular telephone inventory controls. The overall objective of this review was to evaluate the effectiveness of corrective actions taken by the Internal Revenue Service (IRS) in response to a recommendation in a prior Treasury Inspector General for Tax Administration (TIGTA) report that the IRS complete a physical inventory of its cellular telephones and ensure service is immediately discontinued for cellular telephones that are not registered in the IRS' national cellular telephone inventory database.[1]

Synopsis

The Enterprise Networks organization is responsible for providing all forms of electronic communications (e.g., voice, data, video, and wireless) in the most efficient and effective manner. Since 1993, several audits of the IRS' telecommunications program conducted by the TIGTA, formerly the Inspection function of the IRS, reported control weaknesses with the management of the cellular telephone inventory.[2] In September 2004, we recommended the IRS establish a complete and accurate inventory of its cellular telephones and ensure service is immediately discontinued for unregistered cellular telephones. IRS management responded that service for unregistered cellular telephones would be terminated as of December 31, 2004, and

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[1] *Telecommunications Costs Controls Have Not Been Effectively Implemented and Should Continue to Be Improved and Monitored* (Reference Number 2004-20-156, dated September 2004).
[2] *Review of the Service's Controls Over Voice Telecommunications Charges* (Reference Number 034908, dated September 1, 1993), *Monitoring of Long Distance and Cellular Telephone Costs Continues to Need Improvement* (Reference Number 2001-20-171, dated September 2001), and *Controls Over the Telecommunications Programs Continue to Need Improvement* (Reference Number 2002-20-198, dated September 2002).

cellular telephones will be validated annually. At the conclusion of the 2004 annual validation process, the IRS terminated service for 2,908 cellular telephone numbers that were not validated. The validation process resulted in cost savings of approximately $1.4 million annually in cellular telephone service charges to the IRS (see Appendix IV). On October 17, 2005, the Chief Information Officer announced the 2005 annual validation of cellular telephones. This validation process is to be conducted annually to maintain a complete and accurate inventory and ensure the efficient use of resources.

Recommendations

Because the corrective actions taken by the IRS addressed the previously reported control weaknesses in managing the cellular telephone inventory, we are making no recommendations in this report.

Response

IRS management agreed with the discussion draft report and outcome measure. Because the report contains no recommendations, we did not issue a draft report. Management's complete response to the discussion draft report is included as Appendix V.

Copies of this report are also being sent to the IRS managers affected by the report. Please contact me at (202) 622-6510 if you have questions or Margaret E. Begg, Assistant Inspector General for Audit (Information Systems Programs), at (202) 622-8510.

Table of Contents

Background

One of the Internal Revenue Service (IRS) goals in the *IRS Strategic Plan 2005 – 2009* is to modernize the IRS through its people, processes, and technology. In support of this strategy, the mission of the Enterprise Networks organization is to provide all forms of electronic communications (e.g., voice, data, video, and wireless) in the most efficient and effective manner.

Since 1993, the Treasury Inspector General for Tax Administration, formerly the Inspection function of the IRS, has performed several audits of the IRS' telecommunications program and reported control weaknesses with the management of the cellular telephone inventory.[1] In response, the IRS mandated that, effective August 1, 2002, all new requests for cellular telephones be made using the electronic ordering system for wireless devices to establish a current inventory of cellular telephones. In addition, all IRS employees who were assigned a cellular telephone prior to implementation of the automated process were required to register their telephones on the Wireless web site by September 1, 2002. Current cellular telephone holders were warned that, if they did not timely register their cellular telephones, their service would be discontinued.

However, we reported in September 2004 that, while the IRS had established an automated process to improve the management of its cellular telephone inventory, an accurate inventory of cellular telephones had still not been established and service was not being cancelled for those employees who failed to register their cellular telephones.[2] We recommended the IRS establish a complete and accurate inventory of its cellular telephones and ensure service is immediately discontinued for unregistered cellular telephones. IRS management responded that service for unregistered cellular telephones would be terminated as of December 31, 2004, and cellular telephones will be validated annually.

This review was performed at the IRS National Headquarters in New Carrollton, Maryland, in the Enterprise Networks organization during the period October through November 2005. The audit was conducted in accordance with *Government Auditing Standards*. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

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[1] *Review of the Service's Controls Over Voice Telecommunications Charges* (Reference Number 034908, dated September 1, 1993), *Monitoring of Long Distance and Cellular Telephone Costs Continues to Need Improvement* (Reference Number 2001-20-171, dated September 2001), and *Controls Over the Telecommunications Programs Continue to Need Improvement* (Reference Number 2002-20-198, dated September 2002).
[2] *Telecommunications Costs Controls Have Not Been Effectively Implemented and Should Continue to Be Improved and Monitored* (Reference Number 2004-20-156, dated September 2004).

Results of Review

Implemented Controls Improved Accountability of Cellular Telephones and Resulted in Significant Cost Savings

Office of Management and Budget Circular A-123, *Management Accountability and Control*, requires managers to maintain appropriate, cost-effective controls over the agency's financial resources and assets to improve the accountability and effectiveness of Federal Government programs and operations. Specifically, it requires agency managers to establish management controls that provide reasonable assurance that assets are safeguarded against waste, loss, unauthorized use, and misappropriation.

On August 5, 2004, the Chief Information Officer issued a memorandum requiring all users of IRS cellular telephones to validate their telephones by September 30, 2004. To validate a cellular telephone number, each user was required to enter information on the Wireless web site, including his or her name; job title; work address; manager's name; and the cellular telephone make, model, telephone number, and service provider. By matching the cellular telephone numbers on the IRS' monthly bills against the numbers in the Wireless web site inventory, the IRS would identify nonvalidated numbers and suspend service effective October 22, 2004. If the suspended numbers were not validated by December 29, 2004, the service for the cellular telephones would be terminated.

At the conclusion of the 2004 annual validation process, the IRS terminated service for 2,908 cellular telephone numbers that were not validated by December 29, 2004, as required. Figure 1 reflects that the IRS will save approximately $1.4 million annually as a result of the validation process (see Appendix IV).

Figure 1: Annual Cost Savings

Service Provider	Cellular Telephone Numbers Terminated	Annual Service Plan Cost	Annual Cost Savings
Cingular	760	$480	$364,800
Nextel	663	$480	$318,240
Verizon	1,485	$480	$712,800
Totals	**2,908**		**$1,395,840**
Annual Cost Savings Computed Over 5 Years			**$6,979,200**

Source: IRS Enterprise Networks organization.

On October 17, 2005, the Chief Information Officer announced the 2005 annual validation of cellular telephones. This validation process is to be conducted annually to maintain a complete and accurate inventory of cellular telephones and to ensure the efficient use of resources. The implementation of these controls by the Enterprise Networks organization has improved the accountability of the cellular telephones and resulted in significant cost savings. Because the corrective actions taken by the IRS addressed the previously reported control weaknesses in managing the cellular telephone inventory, we are making no recommendations in this report.

Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this review was to evaluate the effectiveness of corrective actions taken by the Internal Revenue Service (IRS) in response to a recommendation in a prior Treasury Inspector General for Tax Administration report that the IRS complete a physical inventory of its cellular telephones and ensure service is immediately discontinued for cellular telephones that are not registered in the IRS' national cellular telephone inventory database.[1] To accomplish this objective, we interviewed Enterprise Networks organization staff, reviewed documentation supporting that the inventory of cellular telephones was completed and service was terminated for the unregistered telephones, and identified the annual costs savings.

[1] *Telecommunications Costs Controls Have Not Been Effectively Implemented and Should Continue to Be Improved and Monitored* (Reference Number 2004-20-156, dated September 2004).

Appendix II

Major Contributors to This Report

Margaret E. Begg, Assistant Inspector General for Audit (Information Systems Programs)
Gary Hinkle, Director
Danny Verneuille, Audit Manager
Van Warmke, Senior Auditor
Olivia DeBerry, Auditor
Suzanne Noland, Auditor

Appendix III

Report Distribution List

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    Associate Chief Information Officer, Enterprise Networks OS:CIO:I:EN
    Director, Program Oversight Office OS:CIO:SM:PO

Appendix IV

Outcome Measures

This appendix presents detailed information on the measurable impact that our recommended corrective action will have on tax administration. This benefit will be incorporated into our Semiannual Report to Congress.

Type and Value of Outcome Measure:

- Cost Savings, Recommendations That Funds Be Put to Better Use – Actual; $6,979,200 (see page 2).

Methodology Used to Measure the Reported Benefit:

In September 2004, we reported the Internal Revenue Service (IRS) had not established an accurate inventory of cellular telephones and cellular telephone service was not being cancelled for employees who failed to register their cellular telephones.[1] We recommended the IRS establish a complete and accurate inventory of its cellular telephones and ensure service is immediately discontinued for unregistered cellular telephones. At the time the report was issued, the IRS was unable to provide information identifying the total inventory of cellular telephones, approximate number of unregistered cellular telephones, or total costs for services. As a result, we did not claim an outcome measure in the original report. In December 2004, the IRS completed the validation process and terminated service for 2,908 cellular telephone numbers that were not validated. The validation process will result in cost savings of $6,979,200 (annual cost savings of $1,395,840 computed over 5 years) in cellular telephone service charges to the IRS.

[1] *Telecommunications Costs Controls Have Not Been Effectively Implemented and Should Continue to Be Improved and Monitored* (Reference Number 2004-20-156, dated September 2004).

Appendix V

Management's Response to the Discussion Draft Report

CHIEF INFORMATION OFFICER

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

RECEIVED
DEC - 7 2005

December 7, 2005

MEMORANDUM FOR DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: W. Todd Grams WTG
Chief Information Officer

SUBJECT: Management Response to Discussion Draft Audit Report – Improved Cellular Telephone Inventory Controls Resulted in Significant Savings (Audit # 200620004) (i-trak # 2006-06313)

Thank you for the opportunity to review and comment on the subject discussion draft audit report. The Modernization and Information Technology Services (MITS) organization is committed to ensuring that all forms of IRS' electronic communications (e.g., voice, data, video, and wireless) are effectively managed at minimum cost.

As such, the MITS Enterprise Networks group implemented several initiatives to better manage and control its telecommunications costs. One of the initiatives is the establishment of the current cellular telephone inventory. As acknowledged in your report, the validation process we employed resulted in terminating 2,908 cell phones and saving the Service approximately $1.4M annually. This validation process will be conducted on an annual basis.

We agree with your report and your decision to make no recommendations as the IRS has taken corrective actions to address the previously reported control weaknesses in managing the cellular telephone inventory.

If you have questions, please call me at (202) 622-6800, or have a member of your staff contact Frank Kist, Associate Chief Information Officer of Enterprise Networks, at (202) 622-2495.