



*Controls Over Employee Telephone Calling
Cards Are Insufficient to Identify Waste,
Fraud, and Abuse*

March 19, 2009

Reference Number: 2009-10-050

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.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

March 19, 2009

MEMORANDUM FOR CHIEF TECHNOLOGY OFFICER

Michael R. Phillips

FROM:

Michael R. Phillips

Deputy Inspector General for Audit

SUBJECT:

Final Audit Report – Controls Over Employee Telephone Calling
Cards Are Insufficient to Identify Waste, Fraud, and Abuse
(Audit # 200810016)

This report presents the results of our review to determine whether the Internal Revenue Service (IRS) established effective controls to identify and address instances of waste, fraud, and abuse relating to the use of employee telephone calling cards. In addition, we followed up on prior audit recommendations to determine whether corrective actions were completed to fully address selected audit findings. This review was part of our Fiscal Year 2008 Annual Audit Plan and addresses the major management challenge regarding Erroneous and Improper Payments.

Impact on the Taxpayer

As of February 2008, the IRS had issued approximately 34,000 telephone calling cards to its employees. Between October 2005 and April 2008, approximately \$8.4 million was charged to telephone calling cards held by IRS employees. However, the IRS has not established effective controls to identify and address improper use of these cards, and the control weaknesses are the same weaknesses we identified in Fiscal Year 2004. For example, our limited analysis of telephone calling card billing records identified that from June 2007 through June 2008, the IRS incurred charges of approximately \$59,000 for improper telephone calls made between the United States and various foreign countries on a single calling card. Effective controls over telephone calling cards are critical to the IRS' ability to ensure accountability and timely identify and address waste, fraud, and abuse.



Controls Over Employee Telephone Calling Cards Are Insufficient to Identify Waste, Fraud, and Abuse

Synopsis

Overall, the IRS lacks effective controls over telephone calling cards issued to employees. Specifically, telephone calling card charges are not routinely reviewed for waste, fraud, and abuse, and a comprehensive inventory of telephone calling cards is not completed annually. Further, the control weaknesses identified in this review are the same weaknesses we identified in a review of telecommunications costs in Fiscal Year 2004.¹ During that review, we reported that an effective managerial review process for telephone calling card use had not been implemented, and annual inventories of telephone calling cards had not occurred on a consistent basis.

We further reported that the Telecommunications Asset Tool (TAT) system, which the IRS implemented in June 2003 to improve controls over telecommunications costs, had not been effectively implemented and critical information was not being captured by the system. In response to our report, the IRS stated that the deficiencies in the TAT system would be corrected through system upgrades, implementation of procedures requiring an annual inventory of telephone calling cards, and routine reviews of telephone calling card charges. However, these corrective actions were either not taken or, if taken, were not supported by sufficient and sustained managerial oversight to ensure that they provided a long-term and effective solution to the issues they were designed to correct.

For example, during the period October 2005 through August 2008, the IRS successfully reviewed telephone calling card charges for potential waste, fraud, or abuse only once. This review was performed in June 2008 using the TAT system and was limited to an analysis of telephone calls placed in March 2008. Also, teleconferencing-related² telephone calling card charges were not analyzed during the June 2008 review for unusual trends indicative of potential waste or improper use. Teleconference-related charges constituted \$7.4 million of the approximately \$8.4 million charged to telephone calling cards between October 2005 and April 2008.

We believe limiting the TAT system quarterly reviews to an analysis of only 1 month of telephone call activity is not sufficient to effectively and timely identify potential waste, fraud, and abuse relating to the use of telephone calling cards. In addition, the IRS has not validated its telephone calling card inventory since early in Fiscal Year 2006. Finally, although the TAT system was designed to allow for the analysis and certification of monthly telecommunications billings by IRS business units and operating divisions, monthly billing information relating to telephone calling card charges is neither shared with nor certified by the IRS functions whose employees actually incurred the charges.

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 Teleconferencing allows employees from multiple locations to communicate on the same telephone call.



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The IRS provided us with a number of reasons for the lack of both routine reviews of telephone calling card charges and annual comprehensive inventories of telephone calling cards. These reasons included: 1) technical problems in loading billing data into the TAT system; 2) failure to provide the required computer matching program notification to the Office of Management and Budget and members of Congress in a timely manner, which must occur before the system can be used for this type of analysis; and 3) a lack of the resources needed to support the inventory process. However, we believe the primary cause of the ongoing control weaknesses is a lack of sustained and effective management oversight.

Recommendations

We recommended that the Chief Technology Officer (CTO) reinforce the need to review telephone calling card charges quarterly for waste, fraud, and abuse and designate a specific executive within the CTO function as responsible for ensuring the reviews are completed. We also recommended that a comprehensive assessment of the operational capabilities of the TAT system be performed. This assessment should focus on: 1) identification of the management information the IRS needs to effectively manage telecommunications costs; 2) a comparison of the functionality currently provided by the TAT system to meet these needs; and 3) an evaluation of the costs associated either with upgrading the TAT system to meet these needs or developing an alternative methodology for managing telephone calling card costs. Finally, we recommended the CTO reinforce the need to conduct inventories of telephone calling cards annually and designate a specific executive within the CTO function as responsible for ensuring the inventories are completed. These inventories should focus on both verifying information on record regarding the cardholder as well as validating that the cardholder still needs the telephone calling card for business purposes.

Response

IRS management agreed with all of our recommendations. The Director of Enterprise Voice Services is the designated executive responsible for ensuring that the telephone calling card charges are reviewed for waste, fraud, and abuse on a quarterly basis. The IRS will also modify the current waste, fraud, and abuse runs to allow for a quarterly review of a sampling of the data captured across all 3 months of that quarter. Additionally, the IRS will perform a comprehensive assessment of the TAT system, including conducting market/industry research and performing a gap analysis against management information needs. Finally, the Director of Enterprise Voice Services is the designated executive who will ensure that an annual validation of the calling cards is in place. Management's complete response to the draft report is included in Appendix V.



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Copies of this report are also being sent to the IRS managers affected by the report recommendations. Please contact me at (202) 622-6510 if you have questions or Nancy A. Nakamura, Assistant Inspector General for Audit (Management Services and Exempt Organizations), at (202) 622-8500.



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Abbreviations

CTO	Chief Technology Officer
IRS	Internal Revenue Service
TAT	Telecommunications Asset Tool



Controls Over Employee Telephone Calling Cards Are Insufficient to Identify Waste, Fraud, and Abuse

Background

The use of telephone calling cards issued to employees of the Internal Revenue Service (IRS) represents a potential high risk because the cards are frequently subject to misuse and theft. As of February 2008, the IRS had approximately 34,000 telephone calling cards. In addition to using these cards for telephone calls, employees can schedule teleconferences, which allow employees from multiple locations to communicate on the same telephone call. During the period October 2005 through April 2008, the IRS incurred approximately \$8.4 million in charges related to employee telephone card usage. The approximately \$8.4 million in total charges was comprised of \$7.4 million in charges related to teleconference calls and \$1 million in charges related to telephone calls.

The use of telephone calling cards issued to IRS employees represents a potential high risk for misuse and theft.

We conducted two prior reviews of telephone calling cards and identified significant control weaknesses over this telecommunications resource in both reviews. Specifically, a Treasury Inspector General for Tax Administration review completed in Fiscal Year 2002¹ found that standardized policies and procedures were not issued to clearly define the roles and responsibilities for effectively managing and operating various telecommunications programs, and management actions were not adequate to ensure that corrective actions were implemented effectively and in a timely manner.

To improve internal controls over telecommunications costs, the IRS implemented the Telecommunications Asset Tool (TAT) system in June 2003. The TAT system was designed to aid in managing telecommunications expenditures, processing local telephone bills, and identifying waste, fraud, and abuse of telephone services, including those related to telephone calling cards. Located at the IRS Detroit Computing Center,² the TAT system was designed to accumulate a variety of information regarding telephone calling card usage, such as the cost per call and length of calls. One of the key features of the TAT system is the Waste, Fraud, and Abuse program. The Waste, Fraud, and Abuse program was designed to prepare periodic reports listing any employees with questionable telephone usage.

¹ *Controls Over the Telecommunications Programs Continue to Need Improvement* (Reference Number 2002-20-198, dated September 2002).

² IRS Computing Centers support tax processing and information management through a data processing and telecommunications infrastructure.



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However, a subsequent Treasury Inspector General for Tax Administration review³ completed in Fiscal Year 2004 determined that the TAT system had not been effectively implemented, inventory control weaknesses for telephone calling cards had not been adequately addressed, and policies and procedures had not been developed for completing annual inventory validations. In response to this report, the IRS stated that the deficiencies in the TAT system would be corrected through system upgrades, implementation of procedures requiring an annual inventory of telephone calling cards, and routine reviews of telephone calling card charges.

This review was performed at the Office of the Chief Technology Officer (CTO) in New Carrollton, Maryland, and the Detroit Computing Center in Detroit, Michigan. Work was also performed at the Chief Financial Officer office at the Beckley Finance Center in Beckley, West Virginia, during the period June through October 2008. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

³ *Telecommunications Costs Controls Have Not Been Effectively Implemented and Should Continue to Be Improved and Monitored* (Reference Number 2004-20-156, dated September 2004).



Controls Over Employee Telephone Calling Cards Are Insufficient to Identify Waste, Fraud, and Abuse

Results of Review

Overall, the IRS lacks effective controls to identify and address improper use of telephone calling cards issued to employees. Specifically, telephone calling card charges are not routinely reviewed for waste, fraud, and abuse, and a comprehensive inventory of telephone calling cards is not completed annually. The IRS provided us with a number of reasons for the lack of both routine reviews and annual comprehensive inventories of calling cards. These reasons included 1) technical problems in loading billing data into the TAT system, 2) failure to provide the required computer matching program notification to the Office of Management and Budget and members of Congress in a timely manner, which must occur before the system can be used for this type of analysis, and 3) a lack of the resources needed to support the inventory process.

However, we believe the primary cause of the ongoing control weaknesses is a lack of sustained and effective management oversight. In September 2004, we similarly reported that an effective managerial review process for telephone calling card use had not been implemented, and annual inventories of telephone cards have not occurred on a consistent basis. We further reported that the TAT system had not been effectively implemented and critical information was not being captured by the system. In response to our report, the IRS stated that the deficiencies in the TAT system would be corrected through system upgrades, implementation of procedures requiring an annual inventory of telephone calling cards, and routine reviews of telephone calling card charges. Overall, we found that these corrective actions were either not taken or, if taken, were not supported by sufficient and sustained managerial oversight to ensure that they provided a long-term and effective solution to the issues they were designed to correct.

Telephone Calling Card Charges Are Not Routinely Reviewed for Waste, Fraud, and Abuse

Office of Management and Budget Circular A-123 requires management controls to reasonably ensure that programs and resources are protected from waste, fraud, and mismanagement. To ensure the appropriate use of office equipment, the Department of the Treasury issued Treasury Directive 87-04, *Personal Use of Government Office Equipment Including Information Technology*, which authorized limited personal use of Federal Government office equipment by employees under certain conditions. The IRS, for example, allows employees to make limited use of employee telephone calling cards for necessary personal telephone calls.

On February 21, 2003, the IRS Chief Information Officer issued memoranda to all employees and managers notifying them that the IRS would use the TAT system to perform quarterly reviews of employee telephone calling card records that meet certain criteria. However, in September 2004, we reported that an effective managerial review process of telephone calling



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card use had not been implemented and, as a result, questionable telephone calls were not being regularly identified.

Our current review found that telephone calling card charges are still not subject to routine review for unusual trends. For example, during the period October 2005 through August 2008, the IRS successfully reviewed telephone calling card charges for potential waste, fraud, or abuse only once. This review was performed in June 2008 using the TAT system and was limited to an analysis of calls placed in March 2008. Also, teleconferencing-related telephone card charges were not analyzed during the June 2008 review for unusual trends indicative of potential waste or improper usage such as cancellation fees associated with teleconference calls which are not cancelled in a timely manner. Teleconference-related charges constituted \$7.4 million of the approximately \$8.4 million charged to telephone calling cards between October 2005 and April 2008.

The June 2008 IRS review identified 700 telephone calls as requiring follow up by the employee's manager to determine whether the call was appropriate. However, as of October 2008, employees' managers responded regarding only 307 (44 percent) of the 700 telephone calls identified. In Fiscal Year 2004, we reported that the TAT system did not include the ability to generate a report on the timeliness and nature of responses by employees' managers. In response, the IRS stated that it would begin providing quarterly reports on responses to the business units and operating divisions. However, these reports were not prepared for the responses to the June 2008 review.

In addition, because the IRS performs its reviews so infrequently, it has no way of identifying and addressing potential misuse of telephone calling cards in a timely manner. For example, our limited analysis of telephone calling card billing records identified that the IRS incurred charges of approximately \$59,000 for improper telephone calls made primarily between the United States and various foreign countries, using 1 calling card, from June 2007 through June 2008. Although the IRS did identify calls on this card as suspicious during its June 2008 review and cancelled the card, if this review had been performed in a more timely manner, the IRS could have significantly reduced its liability. We referred this case to the Treasury Inspector General for Tax Administration Office of Investigations for further review.

We also identified other telephone calling cards with unusually high monthly telephone call activity. Specifically, we identified 14 telephone calling cards with \$500 or more in charges related to telephone calls in at least 1 month during the period October 2005 through February 2008. In 1 case, a telephone calling card had charges over \$500 in 9 separate months, for a total of \$9,332. Another had charges over 7 months for \$8,330. Because the IRS did not analyze telephone calling card calls made during the period of October 2005 through February 2008, these charges were never subject to review. We referred these 14 telephone calling cards to the IRS for further evaluation. In addition, we believe limiting the TAT system quarterly reviews to an analysis of only 1 month of call activity is not sufficient to effectively



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and in a timely manner identify potential waste, fraud, and abuse relating to the use of telephone calling cards.

Finally, although the TAT system was designed to allow for the analysis and certification of monthly telecommunications billings by IRS business units and operating divisions, we found that monthly billing information relating to telephone calling card charges is neither shared with nor certified by the IRS functions whose employees actually incurred the charges. During the period October 2005 through April 2008, the IRS incurred \$7.4 million in charges related to teleconferencing billed to telephone calling cards. While teleconferences are a useful and necessary communication tool, the lack of shared information regarding the cost of this tool makes it difficult for IRS functions to make informed decisions regarding the use of teleconferences.

The IRS provided us with a number of reasons for the lack of routine reviews of telephone calling card charges. These reasons included 1) technical problems in loading billing data into the TAT system, 2) failure to provide the computer matching program notification required before the TAT system can be utilized to analyze calling card charges in a timely manner, and 3) difficulties in assembling the employee contact information needed to perform an inventory validation. However, we believe the primary cause of the ongoing control weaknesses is a lack of sustained and effective management oversight. As a result, management cannot effectively detect and deter fraudulent, wasteful, and abusive calling patterns and collect reimbursement for unauthorized telephone calling card charges from employees.

Recommendations

Recommendation 1: The CTO should reinforce the need to review telephone calling card charges quarterly for waste, fraud, and abuse and designate a specific executive within the CTO function as responsible for ensuring the reviews are completed. These quarterly reviews should be based on an analysis of 3 months of telephone calling card charges. The executive should also ensure that review results are summarized and distributed to the business units and operating divisions.

Management's Response: The IRS agreed with this recommendation. The Director of Enterprise Voice Services is the designated executive responsible for ensuring that the telephone calling card charges are reviewed for waste, fraud, and abuse on a quarterly basis. The IRS will also modify the current waste, fraud, and abuse runs to allow for a quarterly review of a sampling of the data captured across all 3 months of that quarter. In addition, the IRS will generate and distribute Business Operating Division waste, fraud, and abuse reports.

Recommendation 2: The CTO should require the performance of a comprehensive assessment of the operational capabilities of the TAT system as it relates to the management of telephone calling card costs. This assessment should focus on three key areas: 1) identification



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of the management information the IRS needs to effectively manage telephone calling card costs and use (both telephone call and teleconference related); 2) a comparison of the functionality currently provided by the TAT system to meet these needs; and 3) an evaluation of the costs associated either with upgrading the TAT system to meet these needs or developing an alternative methodology for managing telephone calling card costs.

Management's Response: The IRS agreed with this recommendation. The IRS will perform a comprehensive assessment of the TAT system by using the following approach:

1. Conduct market/industry research with stakeholders and user information exchange sessions to identify the IRS' management information needs.
2. Perform a gap analysis to compare the existing capabilities of the TAT system against the management information and functional elements identified in the requirements phase and assess the TAT system's ability to support these requirements.
3. Identify the cost and requirements associated with upgrading the TAT system and alternative solutions in order to evaluate the costs associated with either upgrading the system or developing an alternative methodology for managing the phone card costs based on the gap analysis.

A Comprehensive Inventory of Telephone Calling Cards Is Not Completed Annually

The Government Accountability Office *Standards for Internal Control in the Federal Government* requires that periodic comparisons of resources with accountability records be completed to reduce the risk of errors, fraud, or unauthorized use. In September 2004, we reported that although the IRS had taken several measures to improve the management of issued telephone calling cards, a complete inventory of the telephone calling cards had not been conducted since 2002. IRS management stated at that time that a full audit of the telephone calling card inventory would be conducted and that procedures requiring the annual validation of telephone calling cards would be developed. The purpose of these validations is to verify information on record regarding the cardholder as well as to validate with the cardholder's manager that the cardholder still needs the telephone calling card for business purposes.

The IRS has approximately 34,000 AT&T telephone cards issued to its employees. However, the IRS has not validated its telephone calling card inventory since early in Fiscal Year 2006. Although the IRS did prepare procedures requiring the annual validation of telephone calling cards, these procedures were not always followed. The IRS stated that they did not perform a telephone calling card validation in Fiscal Year 2007 or Fiscal Year 2008 because of difficulties in determining cardholders' managers and a lack of resources. The lack of an annual validation



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of the telephone calling card inventory increases the risk of the unauthorized use of IRS-issued telephone calling cards.

Recommendation

Recommendation 3: The CTO should reinforce the need to conduct inventories annually and designate a specific executive within the CTO function as responsible for ensuring the inventories are completed. These inventories should focus on both verifying information on record regarding the cardholder as well as validating that the cardholder still needs the telephone calling card for business purposes.

Management's Response: The IRS agreed with this recommendation. The Director of Enterprise Voice Services is the designated executive who will ensure that an annual validation of the calling cards is in place.



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Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this audit was to determine whether the IRS established effective controls to identify and address instances of waste, fraud, and abuse relating to the use of employee telephone calling cards. In addition, we followed up on prior audit recommendations to determine whether corrective actions were completed to fully address selected audit findings. To accomplish the audit objective, we:

- I. Determined whether the IRS has established an effective process for controlling telephone calling cards and identifying instances of telephone calling card-related waste, fraud, and abuse.
 - A. Reviewed the procedures established by the IRS to ensure that it maintains accurate, current, and reliable data on telephone calling cards.
 - B. Analyzed the results of the latest inventory performed on telephone calling cards.
 - C. Followed up on selected prior audit recommendations¹ to determine whether corrective actions related to telephone calling cards and teleconferencing were completed to fully address selected audit findings.
- II. Determined from our limited review of the data received directly from AT&T whether we could identify telephone calling card and teleconferencing patterns of activity indicative of potential fraud, waste, or abuse.
 - A. Obtained from AT&T source billing records of IRS telephone calling card and audio teleconferencing activity.
 - B. Performed a limited review of the data received from AT&T to determine whether usage patterns of the telephone calling cards and teleconferencing expenses indicated potential significant fraud, waste, or abuse. We focused our review on the period October 2005 through February 2008 because the IRS did not analyze telephone calling card activity during this period.

¹ *Controls Over the Telecommunications Programs Continue to Need Improvement* (Reference Number 2002-20-198, dated September 2002) and *Telecommunications Costs Controls Have Not Been Effectively Implemented and Should Continue to Be Improved and Monitored* (Reference Number 2004-20-156, dated September 2004).



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- C. Referred any instances of significant, suspicious telephone calling card patterns to the Treasury Inspector General for Tax Administration Office of Investigations for further review.
- III. Determined whether the IRS has established an effective process for addressing identified instances of potential telephone calling card fraud, waste, and abuse.
 - A. Reviewed copies of reports sent from the Detroit Computing Center² to IRS managers to determine whether they timely addressed the suspicious call activity identified.
 - B. Determined whether complete and reliable information related to telephone calling card costs is provided to managers.

In completing our review, we relied on detailed electronic billing data provided to us by AT&T. In order to assess the reliability of this billing information, data types and data ranges were reviewed for accuracy and the file structures and formats were reviewed and verified. During the course of this review, we identified that 1 month of data was missing, and the missing data were requested and incorporated into our testing. We found the data to be reliable for the purposes of the audit and performed no other data validity tests.

² IRS Computing Centers support tax processing and information management through a data processing and telecommunications infrastructure.



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Appendix II

Major Contributors to This Report

Nancy A. Nakamura, Assistant Inspector General for Audit (Management Services and Exempt Organizations)
Alicia P. Mrozowski, Director
Anthony J. Choma, Audit Manager
James S. Mills, Jr., Lead Auditor
Mildred Rita Woody, Senior Auditor
Rashme Sawhney, Auditor
Jeffrey E. Williams, Assistant Director, Data Warehousing
Robert J. Carpenter, Information Technology Specialist



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Appendix III

Report Distribution List

Commissioner C
Office of the Commissioner – Attn: Chief of Staff C
Deputy Commissioner for Operations Support OS
Chief Financial Officer OS:CFO
Deputy Chief Financial Officer OS:CFO
Deputy Chief Technology Officer for Operations OS:CTO
Chief Counsel CC
National Taxpayer Advocate TA
Director, Office of Legislative Affairs CL:LA
Director, Office of Program Evaluation and Risk Analysis RAS:O
Office of Internal Control OS:CFO:CPIC:IC
Audit Liaisons: Chief Financial Officer OS:CFO
Chief Technology Officer OS:CTO



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Appendix IV

Outcome Measure

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 – Questioned Costs, Unallowable – Actual; \$59,249 (see page 3).

Methodology Used to Measure the Reported Benefit:

Our review found that telephone calling card charges are not subject to routine review for unusual trends. For example, during the period October 2005 through August 2008, the IRS successfully analyzed calling card charges for potential waste, fraud, or abuse only once using the TAT system.

Because the IRS performs its reviews so infrequently, it has no way of identifying and addressing potential misuse of telephone calling cards in a timely manner. Our analysis of telephone calling card billing records identified that the IRS incurred charges of \$59,249 for improper telephone calls made primarily between the United States and various foreign countries, using 1 telephone calling card, from June 2007 through June 2008. We referred this case to the Treasury Inspector General for Tax Administration Office of Investigations for further review.



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Appendix V

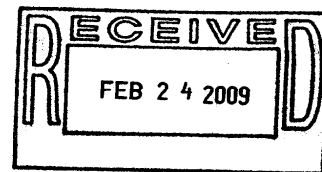
Management's Response to the Draft Report



CHIEF TECHNOLOGY OFFICER

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

February 20, 2009



MEMORANDUM FOR DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM:

Terence V. Milholland
Terence V. Milholland
Chief Technology Officer

SUBJECT:

Draft Audit Report – Controls Over Employee Telephone Calling Cards
Are Insufficient to Identify Waste, Fraud and Abuse
(Audit #200810016) (i-trak #2009-51783)

Thank you for the opportunity to review the draft audit report and respond to the recommendations. We are committed to ensuring sufficient controls and reviews are in place to detect and deter waste, fraud and abuse as it relates to calling card usage within the Internal Revenue Service.

We have implemented a number of review controls and continue to improve the control and monitoring of calling card usage through the following actions:

- Designated the Director of Enterprise Voice Services as the executive within the Modernization and Information Technology Services organization who is responsible for ensuring that telephone calling card charges are reviewed on a quarterly basis for waste, fraud and abuse.
- Instituted computer matching agreements which enable the Service to run waste, fraud and abuse reports on a quarterly basis.
- Implemented reporting controls that allow the Service to generate waste, fraud and abuse summary reports. Reports were generated for March 2008, May 2008 and August 2008.
- Worked with AT&T to determine why domestic designated calling cards were allowed to make international calls. AT&T acknowledged they made an error during the migration of their platform that resulted in the removal of the international geographical code from the domestic card. We are negotiating with AT&T for a reimbursement to the Internal Revenue Service in the amount of \$79,945.02.
- Continue to work collaboratively with our information technology partners and contractors to determine how we can enhance the Telecommunication Asset Tool system capabilities, and to ensure appropriate staffing levels are in place to continue improving calling card usage management controls and reviews.

We will perform a comprehensive assessment of the operational capabilities of the Telecommunications Assct Tool waste, fraud and abuse reports using a three-month analysis of telephone calling card charges, and we will enhance the Calling Card Operating System to perform annual calling card validation.



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We value the continued support and guidance that your team provides. We agree with the recommendations as specified in the attachment. If you have any questions, please contact me at (202) 622-6800 or Perry Robinett, Director of Program Oversight Coordination, at (202) 283-6283.

Attachment



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Attachment

Draft Audit Report – Controls Over Employee Telephone Calling Cards Are Insufficient to Identify Waste, Fraud and Abuse (Audit #200810016) (i-trak #2009-51783)

RECOMMENDATION #1: The Chief Technology Officer should reinforce the need to review telephone calling card charges quarterly for waste, fraud and abuse and designate a specific executive within the Chief Technology Officer function as responsible for ensuring the reviews are completed. These quarterly reviews should be based on an analysis of three months of telephone calling card charges. The executive should also ensure that review results are summarized and distributed to the business units and operating divisions.

CORRECTIVE ACTION #1: We agree with the recommendation. The Director of Enterprise Voice Services is the designated executive within the Modernization and Information Technology Services organization who is responsible for ensuring that the telephone calling card charges are reviewed for waste, fraud and abuse on a quarterly basis. The Internal Revenue Service is also confident that utilizing a sampling of the quarterly data captured across the three-month period provides sufficient data to identify potential waste, fraud and abuse relating to the use of calling cards.

We will complete the following actions:

- Modify the current waste, fraud and abuse run to allow for a quarterly review of a sampling of the data captured across all three months of that quarter;
- Modify the review criteria to include exception reporting that will highlight calling card usage over \$400; and
- Generate the following waste, fraud and abuse reports:
 - Summary reports which Enterprise Networks will manage and maintain; and
 - Business Operating Division reports which Enterprise Networks will distribute to their respective Business System Planners.

IMPLEMENTATION DATE: December 1, 2009

RESPONSIBLE OFFICIAL: Associate Chief Information Officer, Enterprise Networks

CORRECTIVE ACTION MONITORING PLAN: Corrective actions are maintained in the Joint Audit Management Enterprise System and monitored monthly until completion.

RECOMMENDATION #2: The Chief Technology Officer should require the performance of a comprehensive assessment of the operational capabilities of the Telecommunication Asset Tool system as it relates to the management of telephone calling card costs. This assessment should focus on three key areas: 1) identification of the management information the Internal Revenue Service needs to effectively manage telephone calling card costs and usage (both telephone call and teleconference related); 2) a comparison of the functionality currently provided by the Telecommunication Asset Tool system to meet these needs; and 3) an evaluation of the costs associated either with upgrading the Telecommunication Asset Tool system to meet these needs or developing an alternative methodology for managing telephone calling card costs.



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Attachment

Draft Audit Report – Controls Over Employee Telephone Calling Cards Are Insufficient to Identify Waste, Fraud and Abuse (Audit #200810016) (i-trak #2009-51783)

CORRECTIVE ACTION #2: We agree with the recommendation. The Internal Revenue Service will perform a comprehensive assessment of the Telecommunication Asset Tool system by using the following approach:

1. Conduct market/industry research with Internal Revenue Service stakeholders and user information exchange sessions to identify the Service's management information needs.
2. Leverage contractor knowledge of the Telecommunications Asset Tool and perform a gap analysis to compare the existing capabilities of the tool against the management information and functional elements identified in the requirements phase (step 1) and assess the tools' ability to support these requirements.
3. Identify the cost and requirements associated with upgrading the Telecommunications Asset Tool and alternative solutions in order to evaluate the costs associated with either upgrading the tool or developing an alternative methodology for managing the phone card costs based on the gap analysis.

IMPLEMENTATION DATE: February 1, 2010

RESPONSIBLE OFFICIAL: Associate Chief Information Officer, Enterprise Networks

CORRECTIVE ACTION MONITORING PLAN: Corrective actions are maintained in the Joint Audit Management Enterprise System and monitored monthly until completion.

RECOMMENDATION #3: The Chief Technology Officer should reinforce the need to conduct inventories annually and designate a specific executive within the Chief Technology Officer function as responsible for ensuring the inventories are completed. These inventories should focus on both verifying information on record regarding the cardholder as well as validating that the cardholder still needs the telephone calling card for business purposes.

CORRECTIVE ACTION #3: We agree with the recommendation. The Director of Enterprise Voice Services is the designated executive within the Modernization and Information Technology Services organization who will ensure that an annual validation of the calling cards is in place.

IMPLEMENTATION DATE: September 1, 2009

RESPONSIBLE OFFICIAL: Associate Chief Information Officer, Enterprise Networks

CORRECTIVE ACTION MONITORING PLAN: Corrective actions are maintained in the Joint Audit Management Enterprise System and monitored monthly until completion.