UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D.C. 20555-0001

OFFICE OF THE
INSPECTOR GENERAL

July 30, 2010

MEMORANDUM TO: R. William Borchardt
Executive Director for Operations

FROM: Stephen D. Dingbaum **/RA/**
Assistant inspector General for Audits

SUBJECT: MEMORANDUM REPORT: AUDIT OF NRC EMPLOYEE USE OF THE FEDERAL CALLING CARD (OIG-10-A-15)

The Office of the Inspector General (OIG) conducted this audit to determine whether the U.S. Nuclear Regulatory Commission (NRC) has established and implemented an effective system of internal control over the use of Federal calling cards. OIG identified basic, cost-effective measures that NRC could use to (1) improve management controls over the agency's Federal calling card program and (2) provide information to employees about cost-effective calling options. By imposing a basic level of cost-effective oversight over the calling card program, the agency could increase its confidence that staff are using this resource as intended.

This report makes two recommendations to improve oversight of NRC employee use of the calling cards and one recommendation concerning cost-effective calling options. Please provide information on actions taken or planned on each of the recommendations within 30 days of the date of this report. Actions taken or planned are subject to OIG followup as stated in Management Directive (MD) 6.1.

BACKGROUND

Federal calling cards are issued to NRC employees primarily for use in making official business calls while on official travel. For personal calls, employees are permitted to use the card to make one 30-minute personal call or two 10-minute personal calls per day while on domestic travel, and three 5-minute personal international calls within a 7-day period of international travel. To place domestic or international calls using the calling card, employees follow instructions on the back of the card, which require use of a PIN code that also is printed on the card. Employees may also use their calling cards to set up teleconferences.

All employees are eligible to have a calling card. For headquarters employees, card requests are made to the Office of Information Services (OIS) through the office information technology (IT) coordinators. Regional office IT coordinators are assigned a bulk number of cards, which they may assign to regional employees upon request. Employees are required to return their cards as part of the agency's separation-clearance program. There are no costs associated with assignment of the calling cards; the cost to the agency is based on use of the cards. According to agency records, as of August 2009, 2,354 NRC employees were assigned calling cards.

The calling card program is available through the agency's FTS2001 telecommunications contract[1] and is managed by the OIS Computer Operations and Telecommunications Branch. The branch manages the calling card inventory for headquarters and the regions, receives and reviews the bills, and authorizes payment. Oversight for the calling card program is performed primarily by one OIS manager (referred to in this report as the Calling Card Manager) and is one of multiple telecommunications duties that this manager performs.

Guidance on usage of the calling card and other telecommunication options appears in Yellow Announcement Number 60, *Use of NRC Calling Cards While on Official Temporary Duty Travel* (issued September 1, 2006); MD 2.3, *Telecommunications* (last revised January 22, 1993); and MD 14.1, *Official Temporary Duty Travel* (last revised June 7, 2005).

[1] The FTS2001 contract is intended to provide Government users with a variety of telecommunications services. NRC's monthly FTS2001 bill includes charges for voice services (including calling cards), data services, and dedicated transmission service.

OIG initiated this audit based on a recent Department of the Treasury Inspector General audit report that identified problems with oversight of calling cards and unexplained calling card costs, in combination with information provided by NRC's Calling Card Manager that indicated marked growth in NRC's calling card program. During OIG's FY 2010 audit planning process, the Calling Card Manager informed OIG that costs associated with NRC's calling cards had increased 500 percent between FY 2007 and FY 2009, from approximately $20,400 to $109,000 per year. However, shortly after the audit was initiated, OIG learned that the agency's calling card program cost far less than the manager had believed. In fact, NRC paid only $4,531.45 for calling card use in 2008 and $4,300.28 in 2009.

Although OIG typically does not conduct audits of programs with such low materiality, we opted to complete the audit and issue a brief report on the topic due to a general lack of program oversight, combined with the potential for individual misuse of the calling cards.

PURPOSE

The audit objective was to determine whether NRC has established and implemented an effective system of internal control over the use of Federal calling cards.

RESULTS

A. NRC Could Improve Management Controls Over Calling Card Program

Opportunities exist for NRC to improve management controls over employee use of Federal calling cards. OIS managers have not perceived a need to strengthen oversight of the calling card program due to the program's low cost to the agency and limited resources for such oversight. However, by undertaking simple, straightforward measures to (1) conduct some basic level of oversight of employees' calling card usage and (2) better track the calling card inventory, NRC could gain confidence that employees are using this resource as intended.

Internal Control Guidance

Office of Management and Budget Circular A-123 requires agencies to implement management controls to reasonably ensure that programs and resources are protected from fraud, waste, and mismanagement. The Government Accountability Office

Standards for Internal Control in the Federal Government (often referred to as the *Green Book*) states that information should be recorded and communicated to managers and others who need it in a form and within a timeframe that enables them to perform their internal control and other responsibilities.

NRC Does Not Review Individual Calling Card Usage

Although the Calling Card Manager performs an analytical review of the agency's FTS2001 long-distance bills each month to look for overall trends, no one in the agency reviews calling card detail records that show specific usage by individuals. OIG reviewed calling card usage during 2009 and determined that in each month, a single user[2] accounted for a high percentage of the monthly calling card usage (see Table 1). For example, in May 2009, 53 percent of the month's calling card charges were attributable to a single calling card. Yet, NRC never attempts to identify or follow up on high calling card usage to determine whether usage is appropriate and in accordance with agency guidance.[3]

[2] Individual high users varied from month to month.
[3] After several unsuccessful attempts to obtain call detail records for high calling card users, OIG provided OIS with a list of five card numbers that incurred more than $100 in calling card charges in a single month and requested that OIS representatives undertake a review of the propriety of the usage.

Table 1. 2009 Monthly Calling Card Charges			
Month	Verizon Calling Card Bill	Highest User by Month	Percent Attributable to High Users
	(A)	(B)	(B ÷ A=C)
January	$255.48	$59.29	23%
February	$161.28	$16.34	10%
March	$298.78	$57.18	19%
April	$236.58	$75.91	32%
May	$477.92	$254.15	53%
June	$388.94	$105.57	27%
July	$256.85	$36.70	14%
August	$513.05	$116.46	23%
September	$417.67	$126.57	30%
October	$334.90	$48.95	15%
November	$410.09	$177.71	43%
December	$548.74	$189.57	35%
Totals:	**$4,300.28**	**$1,264.40**	**29%**

Source: OIG-generated based on data provided by OIS.

Furthermore, the Calling Card Manager is the only individual who reviews NRC's FTS2001 bills each month. While the manager claimed to routinely follow up on unexplained monthly variations in the bills, the manager was unfamiliar with monthly billing details for calling card usage. As noted in the background section of this report, the manager demonstrated a lack of familiarity with the calling card billing details when, during OIG's annual audit planning process, the manager provided OIG with calling card program costs that far exceeded actual costs. After this audit was underway, OIG learned that the manager had misinterpreted the "calling card" line item on the FTS2001 bills by thinking the line item reflected calling card usage only. In fact, since January 2008, the line item primarily included charges for audio teleconference calls. While the calling card line item has long reflected both types of charges, in January 2008 the agency started relying more on the FTS2001 contract to support teleconferences, which caused the jump in the calling card line item.

Calling Card Inventory Is Inaccurate

The agency's most recent calling card inventory, dated August 2009, is inaccurate and difficult to follow. OIG reviewed calling card usage in 2009 and learned that of 280 calling cards that incurred costs during 2009, 6 were not listed in the inventory at all and 73 were listed but not associated with individual names in the inventory.[4] The 73 cards were associated with such identifiers as "USNRC" or alphanumeric codes, which were listed in the cardholder column[5]; however, there were no employee names associated with these particular cards. Together, these 79 unlisted and unassigned cards incurred $1,373.48 in charges, or about one-third of all calling card costs incurred in 2009. OIG also observed that names and instructions in the August 2009 inventory sometimes appeared in a "notes" column, which made it difficult to determine whether a card was currently assigned or to whom it was assigned.

Furthermore, although the August 2009 inventory identified 380 cards that needed to be deactivated because the employees to whom they were assigned had left NRC, no one followed up to make sure the cards were actually deactivated. During the course of this audit, due to questions posed by the audit team, the Calling Card Manager learned that deactivation had not occurred. The cards were finally deactivated on June 1, 2010, 10 months after the problem was identified.

[4] Some or all charges associated with the 73 unassigned cards and 6 unlisted cards occurred prior to September 2009, which suggests that their assignment and existence should have been noted in the August 2009 inventory.

[5] OIG provided a list of unassigned and unlisted card numbers to OIS and requested they complete the reconciliation of the calling cards that were not listed or not associated with a specific employee name on the August 2009 inventory.

Basic Oversight Not Conducted Due to Low Program Cost and Resource Limitations

OIS managers did not provide adequate oversight of the calling card program because of the low dollar value of the program and limited resources for such oversight, which would require the reviewer to perform analysis of several sets of records, some of which are not readily available to NRC. Accordingly, they questioned the value of imposing additional oversight over the program.

Due to the potential for misuse of the calling cards, OIG contends that imposing a minimal and basic level of cost-effective oversight would allow the agency to gain some confidence that employees are using the cards as intended. Currently, there is no oversight performed of individual usage, and misuse would unlikely be detected by the monthly analytical review performed by the Calling Card Manager; therefore, the agency has no knowledge of whether employees are using calling cards in an appropriate manner.

Recommendations

OIG recommends that the Executive Director for Operations:

1. Develop and implement a plan to assess the validity of high calling card usage on a periodic basis.
2. Develop and implement a policy to conduct annual inventories of calling cards and reconcile differences in a timely manner.

B. Agency Could Provide Useful Information to Employees on Cost-Effective Calling Options

NRC has not provided employees with up-to-date information on cost-effective calling options because the agency has not performed a cost analysis of the various options. By conducting such an analysis, the agency would be able to assess whether differences are significant and therefore worth conveying to staff to help them make informed decisions about telephone calls while on Government travel.

The Federal Travel Regulations instruct Government employees to use the same care in incurring expenses that a prudent person would exercise if traveling on personal business. The *Green Book* conveys that managers need to provide employees with the information they need to carry out their responsibilities.

In the years since NRC has last issued guidance on calling options, including the Federal calling card, the calling environment has changed in that more employees have blackberries or cell phones than ever before. Guidance for employees on preferred calling methods that was applicable in the past may be less applicable now. However, NRC has not performed a recent cost analysis of calling options (e.g., calling card, cell phones, blackberries, personal cell phone reimbursement program, NRC Operator) to determine whether differences are significant and warrant communication to staff. A manager in the Office of International Programs who travels frequently was unaware if there were cost-benefits from using one calling method versus another, but said that if such benefits existed, this would be useful information to know.

While agency telecommunication managers explained that NRC wants to give employees flexibility in calling options (e.g., ability to use calling card if cellular service is unavailable), OIG contends that it could be helpful and cost-effective if the agency were to provide cost-savings tips in a single location for employees to access (e.g., travel information on NRC Intranet). Making such information available to employees could result in more prudent use of taxpayer dollars.

Recommendation

OIG recommends that the Executive Director for Operations:

3. Calculate the relative costs of various calling options and, if there are significant differences, communicate information to staff about cost-effective calling options.

AGENCY COMMENTS

During an exit conference held July 26, 2010, the agency generally agreed with the findings and recommendations in this audit report and said that no agency suggestions or comments would be provided in connection with the report.

SCOPE AND METHODOLOGY

Auditors reviewed Yellow Announcement 60, MD 14.1, and MD 2.3, and interviewed OIS managers with responsibility for the calling card program to understand NRC's policies and procedures on use of the Federal calling card. Auditors interviewed the OIS manager with responsibility for oversight and reviewed the agency's contract for work to be performed by the NRC Telecommunications Service Center to understand NRC's oversight of the calling card program. To assess employee usage of the calling cards, auditors reviewed Verizon calling card usage records for NRC employees for calendar years 2008 and 2009 and FTS2001 billing records. Auditors reviewed the agency's August 2009 (most recent) calling card inventory to determine the number of calling cards assigned, and compared 2009 usage records to the inventory to assess whether calling cards used in 2009 were assigned to specific employees. Auditors planned to review high usage of the cards to determine whether employees were using the cards in accordance with agency guidance; however, neither the agency nor the service provider were able to provide call detail records. Therefore, OIG provided OIS representatives with a list of cards that incurred more than $100 charges in a single month and requested that they review the usage to determine whether it was in accordance with agency guidance. Internal controls related to the audit objective were reviewed and analyzed. Throughout the audit, auditors were aware of the possibility or existence of fraud, waste, or misuse in the program.

We conducted this performance audit in accordance with generally accepted government auditing standards (except as noted in the preceding paragraph with regard to access to calling card call detail records). 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 objectives. Except for the scope limitation regarding access to calling card detail records, we believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The work was conducted by Steven Zane, Deputy Assistant Inspector General for Audits; Judy Gordon, Quality Assurance Manager; Dennis Sylvester, Auditor; and John Tornabane, Analyst. We performed the audit work from January 2010 to June 2010 at NRC headquarters in Rockville, Maryland.

Electronic Distribution

Edwin M. Hackett, Executive Director, Advisory Committee
on Reactor Safeguards
E. Roy Hawkens, Chief Administrative Judge, Atomic Safety
and Licensing Board Panel
Stephen G. Burns, General Counsel
Brooke D. Poole, Director, Office of Commission Appellate Adjudication
James E. Dyer, Chief Financial Officer
Hubert T. Bell, Inspector General
Margaret M. Doane, Director, Office of International Programs
Rebecca L. Schmidt, Director, Office of Congressional Affairs
Eliot B. Brenner, Director, Office of Public Affairs
Annette Vietti-Cook, Secretary of the Commission
R. William Borchardt, Executive Director for Operations
Michael F. Weber, Deputy Executive Director for Materials, Waste,
Research, State, Tribal, and Compliance Programs, OEDO
Darren B. Ash, Deputy Executive Director
for Corporate Management, OEDO
Martin J. Virgilio, Deputy Executive Director for Reactor
and Preparedness Programs, OEDO
Nader L. Mamish, Assistant for Operations, OEDO
Kathryn O. Greene, Director, Office of Administration
Patrick D. Howard, Director, Computer Security Office
Roy P. Zimmerman, Director, Office of Enforcement
Charles L. Miller, Director, Office of Federal and State Materials
and Environmental Management Programs
Cheryl L. McCrary, Director, Office of Investigations
Thomas M. Boyce, Director, Office of Information Services
James F. McDermott, Director, Office of Human Resources
Michael R. Johnson, Director, Office of New Reactors
Catherine Haney, Director, Office of Nuclear Material Safety
and Safeguards
Eric J. Leeds, Director, Office of Nuclear Reactor Regulation
Brian W. Sheron, Director, Office of Nuclear Regulatory Research
Corenthis B. Kelley, Director, Office of Small Business and Civil Rights
James T. Wiggins, Director, Office of Nuclear Security
and Incident Response
Marc L. Dapas, Acting Regional Administrator, Region I
Luis A. Reyes, Regional Administrator, Region II
Mark A. Satorius, Regional Administrator, Region III
Elmo E. Collins, Jr., Regional Administrator, Region IV