

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Charles C. Maddox, Esq.
Inspector General



December 2, 1999

John A. Fairman
Chief Executive Officer
D. C. Health and Hospitals Public Benefit Corporation
1900 Massachusetts Avenue, S.E., Rm. 1455A
Washington, D.C. 20003

Dear Mr. Fairman:

Enclosed is our final report summarizing the results of our audit of the District of Columbia General Hospital's (DCGH) telecommunications system (OIG-9839-18-99).

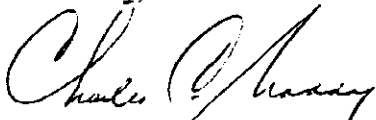
Specifically, the audit revealed that administrative controls over DCGH's telecommunications systems were not sufficiently applied to ensure efficiency and effectiveness of operations. As a result, late fees were assessed and paid because telephone bills were not paid promptly; payments were made for unauthorized telephone charges; excessive rates were paid for long distance calls; and taxes, which were not required to be paid, were paid. Improvements were also needed in the areas of system security, and inventory management. Accordingly, this report contains recommendations that, collectively, represent actions considered necessary to correct the noted deficiencies. With the implementation of the recommended corrective actions, DCGH could avoid cost of approximately \$80,000.

In general, management concurred with our findings and recommendations and provided details of actions taken or planned to resolve the deficiencies cited in our report. These comments are incorporated as appropriate into the report. The full text of management's response to this report is included as Appendix A. We find that the response and proposed corrective actions satisfy the intent of the recommendations.

John A. Fairman, CEO
December 2, 1999
OIG No. OIG-9839-18-99
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We appreciate the cooperation and courtesies extended to our staff by DCGH personnel during the audit. If you have any questions regarding this report please contact me at 727-2540, or have a member of your staff contact John N. Balakos, Assistant Inspector General for Audits, at (202) 727-8279.

Sincerely,

A handwritten signature in cursive script, appearing to read "Charles C. Maddox".

Charles C. Maddox, Esq.
Inspector General

Enclosure

GS/gs

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL**

**AUDIT OF THE DISTRICT OF COLUMBIA
GENERAL HOSPITAL'S
TELECOMMUNICATIONS SYSTEM**

**CHARLES C. MADDOX, ESQ.
INSPECTOR GENERAL**

OIG-9839-18-99

December 2, 1999

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EXECUTIVE DIGEST

OVERVIEW

This report summarizes the Office of the Inspector General's (OIG) audit of the District of Columbia General Hospital's (DCGH) telecommunications system. The OIG conducted this audit as a result of findings reported in previous telecommunications system audit reports of the District's executive agencies. This audit report is the last in a series of four audit reports issued on the District's management of telephone systems.

CONCLUSIONS

Our audit determined that administrative controls applicable to DCGH's telecommunication system were not sufficiently applied to ensure efficiency and effectiveness of operations. As a result, late fees were assessed because telephone bills were not paid promptly; payments were made for unauthorized telephone services; excessive rates were paid for long distance calls; and taxes, not required to be paid, were paid. Improvements were also needed in the areas of telecommunications equipment security, and inventory management. With the implementation of our recommended corrective actions, DCGH could avoid cost of approximately \$80,000.

CORRECTIVE ACTIONS

We directed nine recommendations to the Chief Executive Officer that, collectively, represent actions considered necessary to correct the deficiencies described above. These recommendations, in part, center on:

- developing telecommunications policies and procedures that require telephone charges be certified at responsible levels, timely payment of telecommunication bills, and the implementation of controls to prevent payment for unauthorized telephone charges;
- utilizing services available through Federal Telecommunication System (FTS) 2000¹ to lower long distance rates;
- developing security procedures to control access to telecommunication equipment; and
- conducting inventories of telecommunication equipment and developing network diagrams.

¹ The FTS 2000 is a General Services Administration (GSA) administered contract that provides domestic long-distance telecommunication services to Federal agencies in the United States and certain territorial possessions at prices that are lower than the lowest available commercial rates.

INTRODUCTION

BACKGROUND

District of Columbia Law 11-212, effective April 9, 1997, established the DCGH and the Community Health Clinics (CHCs), which were previously under the Department of Human Service's Commission on Public Health, as a Public Benefit Corporation (PBC). The Mission of the DCGH and the CHCs is to provide high quality community based health care services to District residents and others who present themselves for emergency care, regardless of their ability to pay. Since October 1997, the DCGH has managed and paid the CHCs' telephone services bills.

Since DCHG and the CHCs are independent agencies of the District government, they are not subject to the direct control of the Mayor. However, except where it has been specifically provided for in D.C. Law 11-212, DCGH and the CHCs must abide by all of the laws and regulations that are applicable to offices, agencies, departments, and instrumentalities of the District.

OBJECTIVES

The audit objectives were to determine whether DCGH: (1) implemented controls to safeguard against irregularities, waste, and mismanagement; and (2) managed resources effectively and efficiently.

SCOPE AND METHODOLOGY

Our audit focused on the administrative and operational controls over DCGH's telephone system. We selected and examined transactions occurring during the period September 1997 through July 1998. All samples and tests were limited to the transactions deemed necessary to evaluate DCGH telephone operations.

To accomplish the objectives, we reviewed pertinent documents; interviewed responsible DCGH officials and contractor representatives; conducted facility walk-throughs; and analyzed telephone bills from service providers.

Our audit was conducted in accordance with generally accepted government auditing standards.

RESULTS OF AUDIT

FINDING 1: ADMINISTRATIVE CONTROLS

SYNOPSIS Our audit disclosed that administrative controls over DCGH's telecommunications operations were deficient. Telephone service payments were made without the appropriate level of review prior to payment; telephone bills were not paid promptly; payments were made for telephone services that were not authorized; and the DCGH paid taxes on telephone services, even though DCGH is tax exempt. As a result, DCGH incurred \$68,600 more in telephone services cost than it would have if adequate administrative controls were in place. Factors, which contributed to these conditions, were: insufficient internal guidance, insufficient management attention, and insufficient training.

AUDIT RESULTS The following subsections provide details of our audit concerning the application of administrative controls.

Reviewing Telephone Bills DCGH's Communications Department Manager reviews departmental telephone service charges and certifies them for payment, without knowing if charges are appropriate. The DCGH department managers and CHC administrators do not review telephone charges prior to payment, as required by governing regulations.

The DCGH's Procurement Regulations, Section 9911.5, provides, in part, that acceptance shall constitute acknowledgement that the supplies, services, or construction conform to the applicable contract quality and quantity requirements. Section 9911.6 of the regulation provides that supplies, services, or construction shall not be accepted before completion of Hospital contract quality control actions.

As such, these regulations place the responsibility on management for ensuring that goods and services are valid and authorized before payments are made to respective vendors. In order to comply with the intent of the regulations, telephone charges should be distributed to locations where responsible management can attest to the validity of the telephone services before the Accounting Department makes payments to respective vendors.

D.C. Law 11- 212 provides, in part, that except as provided, the Corporation [DCGH and the CHCs] shall be subject to all laws applicable to offices, agencies, departments, and instrumentalities of the District government. The Mayor's Administrative Instruction (MAI), Title 2400, Communications Management, Section 2420.6, Payment of Telephone Bills, provides that "...All service bills will be audited to insure that agencies are billed only for what was ordered. Discrepancies should be brought to the attention of the agency and the vendor.... Monthly bills will be transmitted promptly to the appropriate department...."

The DCGH Accounting Department forwards telephone bills it receives directly to the Communications Department for review and certification. The Communications Department Manager signs the individual bills, indicating that the telephone bills have been reviewed and certified, and forwards them back to the Accounting Department for payment. The Communications Department Manager provides copies of the telephone bills to the Director of the eight CHCs for information purposes only. However, the CHCs are not required by DCGH to review and certify that the telephone services were actually received. Additionally, the Communications Department Manager said she does not have enough staff to facilitate the distribution of telephone charges to the various hospital departments and individual CHCs.

The DCGH Chief Information Officer (CIO) said in an effort to control long distance calling and to assist in the verification of telephone usage, the DCGH has implemented and issued long distance access codes² to employees with a demonstrated need. The implementation of long distance access codes should assist in controlling long distance calling, however, the opportunities for fraud, waste, and abuse will remain if management does not review and certify telephone charges at the level where the charges were incurred. Additionally, DCGH's lack of policies and procedures detailing the telephone bill review and certification process can lead to inconsistencies in performing routine reviews and certifications.

Avoiding Late Fees on Telephone Bills Our review of 210 telephone bills and corresponding payment vouchers for the period September 1997 to July 1998, showed that the DCGH paid all of the telephone bills after the due date. This resulted in the payment of \$22,976 in late fees to the telephone service providers. DCGH accounting personnel stated that it is the practice of the Accounting Department to allow late fees to accrue throughout the year and resolve them at year-end. A factor contributing to this practice is that the Communications Department, after certifying bills, does not return the bills to the Accounting Department timely enough to make prompt payments.

Mayor's Order 92-142, dated November 17, 1992, Policy and Standards for Agency Bill Paying Activities, requires that payments are to be processed consistent with the times established for various commodities and services in the District of Columbia Quick Payment Act of 1984³.

Taking Advantage of Tax Exempt Status The DCGH paid a total of \$34,104 in gross receipt sales taxes (GRS) on telephone service charges incurred during the period of September 1997 to July 1998, even though it is exempt from paying GRS taxes. This situation occurred because the DCGH Accounting Department personnel did not know that there were laws that exempted DCGH from GRS taxes.

D.C. Law 11- 212, Section 213 states that "...The assets of the Corporation shall be exempt from taxation...." Further, District of Columbia Code, § 47-20005 provides "Gross receipts from the

² Code sequence given to employees that allow them to make long distance calls and provides long distant call accountability.

³ Provision that allows vendors to assess an interest penalty when payments are not received before the required payment date.

following sales shall be exempt from the tax imposed by this chapter: (1) Sales to the United States or the District....”

Preventing Charges for Unauthorized Telephone Services The DCGH paid \$11,548 for unauthorized telephone service charges billed by third party long distance carriers⁴ and billing agents⁵ during the period of September 1997 to July 1998. These unauthorized charges were for voice mail, paging, and calling card services that were billed through the local service provider by third party carriers and billing agents.

Most of these unauthorized charges were the result of a practice known as “cramming.” Cramming, according to the National Fraud Information Center, occurs when monthly charges appear on the telephone bill for optional services that were never authorized. The local exchange carrier⁶ (LEC) allows third party long distance carriers and billing agents to bill the charges on customer’s local service monthly telephone bills. The service provider then collects the payments for the charges and distributes the money to the long distance carriers and billing agents accordingly.

The DCGH Communication Manager stated that the LEC service provider was requested to discontinue the unauthorized telephone service and credit the DCGH’s telephone account for the amount of the unauthorized charges. However, the Communications Manager could not provide supporting documentation to substantiate the request and the telephone bills for the period of our review did not reveal any credits for the unauthorized service charges.

Since there are no formal DCGH policies and procedures that cover the review and certification of telecommunications services, in our opinion, DCGH should follow the Mayor’s Administrative Instruction (MAI) TITLE 2400 – Communications Management, CHAPTER 2420 – Telephone Communications that contains policy that provides, “... All service bills are audited.... Discrepancies should be brought to the attention of the agency....”

RECOMMENDATIONS

The Chief Executive Officer:

1. Establish policies and procedures that require telephone charges be certified at responsible levels of accountability before they are paid.
2. Structure the payment process to ensure the Accounting Department makes timely telephone bill payments.

⁴ Telephone service providers that provide long distance call connectivity outside local calling jurisdictions.

⁵ Companies that bill and collect fees for telephone services on behalf of telephone service companies.

⁶ Local calling service provider

3. Initiate action to take advantage of DCGH tax-exempt status regarding GRS taxes for telephone bills.
4. Request the local service provider limit the types of calls that can be made from DCGH telephones.

AGENCY RESPONSE

Management concurred with our recommendations and has planned or is taking corrective actions to ensure telephone bills are reviewed by responsible management and bills are paid timely to avoid late charges, taxes are not paid for telephone services, and unauthorized telephone services billed to DCGH are not paid.

OIG COMMENTS

The corrective actions taken or planned meet the intent of our recommendations.

FINDING 2: LONG DISTANCE SERVICE

SYNOPSIS The DCGH uses commercial long distance services rather than those services available under FTS 2000 program. As a result, DCGH paid approximately \$11,500 more for long distance services. This condition existed because responsible DCGH personnel were under the impression that the service provider automatically enrolled DCGH into the FTS program.

AUDIT RESULTS We examined nine of twenty commercial long distance accounts to determine per minute rates and per minute averages. Our review disclosed that for the billing period February 1998 through July 1998, DCGH's average per minute rate was 34 cents for commercial long distance services. This was approximately 500 percent higher than the 7 cents⁷ per minute rate for FTS2000.

Additionally, during the period December 1997 to July 1998, the DCGH paid the long distance service provider \$18,510, including taxes of \$1,198 for telephone services for the 20 telephone accounts. By applying the 7 cents per minute rate (FTS 2000) to the commercial long distance services provided during that period, DCGH could have reduced its long distance service cost by approximately \$11,500.

MAI TITLE 2400 – Communications Management, CHAPTER 2420 – Telephone Communications, Provides that "... In no case will ...expensive services be provided where more economical facilities are available...."

The CIO stated that the DCGH was under the impression that the local telephone service provider automatically enrolled DCGH into FTS 2000 program. However, after talking to the General Service Administration (GSA), the CIO discovered that the DCGH is responsible for its own inclusion into the FTS 2000 program. As a result of the conversation with GSA, the CIO and the Communications Manager planned a meeting with GSA to have DCGH included in the FTS 2000 program.

RECOMMENDATION

The Chief Executive Officer:

5. Finalize actions to switch DCGH's telephone lines to the FTS 2000 program.

⁷ The FTS 2000 representative estimated that the FTS 2000 per minute rate was about 7 cents per minute.

AGENCY RESPONSE

The DCGH concurred with our recommendation and has enrolled into the FTS 2000 program.

OIG COMMENTS

The DCGH's corrective action satisfies the recommendation.

FINDING 3: SYSTEM SECURITY

SYNOPSIS The DCGH's telecommunication closets⁸ and equipment are subject to unauthorized access and/or loss because telecommunication closets are not secured. This security risk has occurred because DCGH does not have security policies and procedures for access to hospital's telecommunications equipment.

AUDIT RESULTS We observed that four of five telephone closets were left unlocked. The telephone closet in the cardiac laboratory was unlocked and served as a break room. A telecommunication maintenance contractor for the DCGH, stated that DCGH may leave telephone closets unsecured to allow technicians access to telephone equipment and some technicians may not secure the closets when they exit. However, the practice of DCGH leaving telephone closets unsecured to make access easier for the telecommunication technicians is not a valid reason and increases the risk of theft, vandalism, unauthorized use, and/or modification of telecommunications equipment.

Since DCGH does not have telecommunication security policies and procedures, we used COBIT⁹ as criteria for our finding and recommendation. COBIT provides that management is responsible for providing a suitable physical environment to protect the IT equipment and people against man-made and natural hazards. The controls in place for facility management should consider site identification, access to facilities, environmental threat protection, physical security, and personnel safety.

RECOMMENDATION

The Chief Executive Officer:

6. Develop security policies and procedures to control access and entrance to telecommunications equipment.

AGENCY RESPONSE

The DCGH agreed with our recommendation and stated that the DCGH has developed policies and procedures controlling access to hospital telephone closets.

OIG COMMENTS

The DCGH corrective actions are adequate to control access to telephone closets and telecommunications equipment.

⁸ Location, generally a closet space, where telecommunication equipment is stored.

⁹ The Control Objectives for Information and Related Technology (COBIT) was designed because of the need for standards in the IT environment. COBIT establishes a standard on controls, policies, and procedures for information technology (IT).

FINDING 4: INVENTORY MANAGEMENT

SYNOPSIS The DCGH has not performed an inventory of telephone lines, telephone-equipment, or developed network diagrams.¹⁰ This condition existed because of inadequate management oversight and the absence of governing policies and procedures for inventories. As a result, the risk of paying for telephone lines and services that were not being used is increased.

AUDIT RESULTS The CIO stated the DCGH has not conducted an inventory or developed network diagrams of telephone lines and telephone equipment. However, the Communications Department Manager did provide a Customer Service Report (CSR)¹¹, which, the Communications Department Manager stated has not been reconciled to existing telephone lines and equipment.

In recognition of the absence of an inventory, the CIO stated that the DCGH plans to hire a communications specialist to perform a complete inventory of the DCGH's telephone lines and equipment. During a later interview, the CIO stated that the DCGH would utilize an outside contractor to perform a complete inventory of the DCGH's telephone lines and equipment. The DCGH had not started an inventory by the end of our review.

The District of Columbia Code, § 1-1135(a)(6), provides that agencies “...establish and maintain an inventory of all...telecommunications equipment...” An accurate inventory is essential for maintaining accountability of resources and associated financial resources.

The DCGH's management cannot determine or validate what telephone services and equipment the agency is being charged for without an inventory. Without periodic evaluations of telephone lines and telephone equipment, the DCGH risks continuously paying for unneeded and unused telecommunications lines and equipment.

RECOMMENDATIONS

The Chief Executive Officer:

7. Conduct an inventory of all telecommunication equipment and lines.
8. Develop policies and procedures that require periodic review and evaluation of telecommunication equipment and lines.

¹⁰ Illustrates physical proximity and relative inter-connectivity of associated and linked telecommunications equipment.

¹¹ Report provided by the local service provider that lists all telephone lines and related equipment options that are recorded in database for a particular account.

9. Develop and maintain network diagrams that illustrate, at a minimum, identification, location, and connectivity relationship of telephone closets and pertinent telecommunications equipment.

AGENCY RESPONSE

The DCGH concurred with the recommendations and has conducted a detailed station review to verify telephone services, completed preliminary network drawings, and implemented policies and procedures to ensure on-going and periodic reviews of telecommunications equipment.

OIG COMMENTS

The DCGH's planned and implemented corrective actions are adequate to control and maintain accountability of telecommunications resources.

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PUBLIC BENEFIT CORPORATION

Community Health Centers

MEMORANDUM

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TO: Charles C. Maddox, Esquire
Inspector General

FROM: John A. Fairman *John A. Fairman*
Chief Executive Officer

DATE: November 29, 1999

RE: Response to Audit of the District of Columbia
General Hospital Telecommunications System

The PBC agrees in part and disagrees in part with the findings and conclusions of the audit of the District of Columbia Health and Hospitals Public Benefit Corporation's ("DCHH/PBC") telecommunication system (OIG-9839-18-99). Prior to the release of the draft audit report the PBC had implemented new administrative procedures and controls that address many of the recommended corrective actions. Subsequent to receipt of the draft audit report, the PBC is implementing additional procedures and controls that will in effect adopt all of the corrective actions. Moreover, as has been done in previous years, the PBC is in the process of conducting an internal audit of telephone charges in an attempt to maximize recovery for all unauthorized services.

Reviewing Telephone Bills and Avoiding Late Charges

New telecommunications policies and procedures have been implemented to ensure that telephone bills are certified at responsible levels and paid in a timely manner. All telephone bills are reviewed by the Telecommunications Director (TD) within three days of receipt. The Director forwards copies of the bills to each responsible department within three days of receipt for review and approval. These approved copies are to be returned to the TD within five days noting any exceptions. Within five days of receipt of approved bills and

"Where Miracles Happen Every Day."

exceptions the bills are to be reviewed by the Operations Administrators for D.C. General Hospital and Community and School Health respectfully.

Upon receipt of the approved telephone bills the TD will notify the PBC Finance Department and the involved telephone company of any disputed charges, exceptions or discrepancies. The TD and Finance Department will maintain a log of exceptions and discrepancies. Disputed Charges shall not be processed for payment.

After receipt of certified invoices from the TD, Finance enters the invoices in the CDC system. Finance begins processing by selecting a CDC and generating a voucher that is signed and attached to the invoice. The package is submitted to the Assistant Controller for additional certification. The Assistant Controller arranges to have the voucher entered into the SOAR system. The SOAR is then verified and a voucher number is generated. The voucher is then posted into the SOAR; a check is generated and mailed directly to the vendor.

The timing of these procedures are such to permit a 15 day processing time once the voucher is posted into the SOAR, in order for the vendor to receive a check within 30 days of the bill date. The total elapsed time from receipt of phone bill to mailing payment should be no greater than twenty-one (21) days. Unauthorized charges will not be processed for payment.

Preventing Charges for Unauthorized Telephone Services

The audit revealed that the PBC paid \$11,548 for unauthorized telephone services billed by third party long distance carriers. Many of these charges resulted from a practice known as cramming. (See OIG Report at page 5.) The PBC has instructed Bell Atlantic, our local service provider, to limit the types of calls that can be made from PBC lines in order to prevent cramming. As described above the PBC has implemented certification and review procedures designed to prevent payment of these illegal charges. Additionally, the PBC is in the process of conducting an internal audit of telephone charges and will take all action necessary, including litigation, to insure that any taxes previously paid are recovered.

Conversion of Long Distance Service

The PBC has enrolled in the FTS 2000 program. As a result the PBC will pay a substantially lower rate for long distance services.

Recovery of Gross Receipt Taxes

The audit revealed that PBC staff inappropriately paid \$34,000 in gross receipt taxes. This occurred primarily because personnel new to government service processed these payments. As discussed above the PBC has initiated proceedings to review all telephone charges to ensure that taxes are not paid. Additionally, the PBC is in the process of conducting an internal audit of

telephone charges and will take all action necessary, including litigation, to insure that any taxes previously paid are recovered.

Systems Security

The audit revealed that several telecom closets were not secured. All telecom maintenance contractors must sign out the telecom closet keys. We have reiterated our policy to keep all the doors locked, and the co-located services (electrical and data) have been notified of the policy to keep the closets secured at all times. A review of current (and proposed) telecom locations will be completed by December 15, 1999. An update on the status of the corrective action plan will be submitted to the PBC Executive Office at that time. The PBC is also exploring the installation of electronic locks for the telecommunication closets.

Inventory Management

The audit revealed that an inventory of telephone lines and equipment with network diagrams had not been completed. A detailed station review since the audit was conducted has been completed. The customer service record reflects the appropriate service levels. Policy and procedures for on-going review and maintenance of telecom lines and equipment are now in place. Network diagrams of cabling plant, telephone and closet configurations are in progress. The Telecom Network Infrastructure project preliminary network drawings are complete and a program to digitize the diagrams is being prepared by Bell Atlantic. As we are changing every telephone device and service, the system audits are performed for each area as cable and telephone devices are deployed. A copy of the inventory and network directory is located in each service closet and a master circuit directory is located in the Telecom Department.

Finally, the PBC appreciates the work of the Office of Inspector General staff in conducting the audit and preparing this report. While many of the issues raised have been addressed prior to the publication of this report, it has afforded us an opportunity to strengthen our internal controls to prevent payment of unauthorized charges.

cc: PBC Board of Directors
Executive Council