

June 8, 2000

RICHARD D. WEIRICH
VICE PRESIDENT, INFORMATION TECHNOLOGY

SUBJECT: Management Advisory Report – Review of
Selected Billing Practices of a Postal Service
Telecommunications Contractor
(Report Number FA-MA-00-005)

During the course of an investigation we learned of allegations of excessive charges to the Postal Service by a telecommunications contractor. We subsequently initiated a review of the contract and billing practices to determine if the allegations were true. This report presents the results of the review.

Results in Brief

The review confirmed that the Postal Service was overcharged more than \$75,000 for telecommunications services for the month of July 1999. This was caused by a telecommunications contractor's failure to input the Postal Service in its billing system as a government entity.

We suggest that the vice president, Information Technology, direct the Postal Service contracting officer's representative to coordinate with the contractor's Government Services Division to identify the accounts affected and ensure that the Postal Service recovers the overcharges. Management concurred with the suggestions, and the actions taken and planned should correct the issue identified in this report.

Background

In 1993 the Postal Service awarded a contract to provide long distance telephone service, calling card service and toll-free 800 number services. The telecommunications contractor was designated as the telephone service carrier for all postal facilities. In 1997 the Postal Service elected to exercise a one-year option and extended this contract until April 1998.

In May 1998 the Postal Service issued a new one-year contract to the contractor with an additional one-year option to provide the same telephone services as the previous contract. In May 1999 the Postal Service exercised the one-year option with the contractor, extending the contract period to April 2000.

**Objective, Scope and
Methodology**

The objective of this review was to determine if the Postal Service was incurring excessive charges under the telecommunications contract. During the review, we conducted interviews with Postal Service management and coordinated with Postal Service and the telecommunications contractor staff. We also reviewed the contract file and copies of invoices from several Postal Service District offices that still had telephone accounts with the contractor. This review was conducted from December 1999 through June 2000 in accordance with the President's Council on Integrity and Efficiency, Quality Standards for Inspections.

**Telecommunications
Charges**

The telecommunications contract stated that the Postal Service would be charged for services at a government rate, which was cheaper than the rate charged to the contractor's commercial customers. In August 1999 Postal Service officials noticed a significant increase in the monthly telecommunications charges and therefore, complained about the charges. As a result, we analyzed the monthly invoices and found that the Postal Service was not assessed the appropriate charges for the month of July 1999. Coordination with personnel from the Contractor's Government Services Division confirmed billing discrepancies occurred due to the fact that the government entity code was dropped out of the database. Therefore, the contractual government rates were not applied to the Postal Service and, instead, the Postal Service was charged at the contractor's commercial rates. As a result, the Postal Service paid approximately \$75,000 in excess charges.

Suggestions

We offer the following suggestions. The vice president, Information Technology should direct the Postal Service contracting officer's representative to coordinate with the contractor's, Government Services Division, to:

1. Identify the accounts affected by the miscoding and ensure that the Postal Service is credited for any overpayments.
2. Ensure future billings and rates are correct and in compliance with the contract.

Please provide the OIG a written summary of your findings and the total funds recovered/credited back to the Postal Service.

**Management's
Comments**

Management concurred with the suggestions and stated that the account affected by the miscoding has been identified and a \$75,000 credit has been applied and the contracting officer would present written confirmation of the credits. In addition, management stated that the accounts would be transitioned to another vendor and that procedures would be identified to prevent a recurrence.

**Evaluation of
Management's
Comment**

Management's actions taken and planned are responsive to the suggestions and should correct the issue identified in this report.

Thank you, for the cooperation and support of your staff in this matter. If you have any questions, or if we can be of further assistance, please do not hesitate to contact Anthony T. Cannarella, director, Facilities Team, or me at (703) 248-2270.

Sylvia L. Owens
Assistant Inspector General
for Business Protection

cc: Thomas A. Nicolosi
Larry Wills
John R. Gunnels

APPENDIX. MANAGEMENT'S COMMENTS

RICHARD D. WEIRICH
VICE PRESIDENT, INFORMATION TECHNOLOGY



June 7, 2000 (Lieu of Lost Original Letter – dated April 27, 2000)

SYLVIA L. OWENS

SUBJECT: Transmittal of Draft Audit Report – Review of Selected Billing Practices of a
Postal Service Telecommunications Contractor (Report Number FA-MA-00-DRAFT)

In reference to your letter dated April 5, 2000, requesting a response to your finding and recommendations in subject draft audit report, the following is submitted.

The scope of your draft, including a review of contract and billing practices, confirmed an overcharge of approximately \$75,000.00 for telecommunication services for July 1999.

We concur with the finding and the recommendations included in your report, and our immediate efforts have resulted in a \$75,000.00 credit to that account. Additional information is contained in the attached report.

This information is classified as "restricted" under AS-805.112.1 and should not be disclosed pursuant to the Freedom of Information Act.

If you have questions regarding our comments and would like to discuss them further, please contact Larry Wills at (919) 501-9100 to make the necessary arrangements.

A handwritten signature in black ink, appearing to read "Richard D. Weirich", written in a cursive style.

Attachment

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Management Responses in Brief

System	Recommendation	Concur	Scheduled
Management Advisory - Review of Selected Billing Practices of Postal Service Telecommunications Contractor.	1) Identify the accounts affected by the miscoding and ensure that the Postal Service is credited for any overpayments	Yes	The account affected by the miscoding has been identified. Credits were applied subsequent to the July 1999, billing error.
	2) Ensure future billings and rates are correct and in compliance with the contract.	Yes	By May 2000, these accounts will be transitioned to another vendor. We will ensure procedures are identified and discussed to prevent a recurrence with the new vendor.

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**Management Advisory - Review of Selected Billing Practices of a Postal Service
Telecommunications Contractor (Report Number FA-MA-00-
DRAFT)**

Audit Report Finding:

The review confirmed that the Postal Service was overcharged more than \$75,000 for telecommunications services for July 1999. This was caused by a telecommunications contractor's failure to input the Postal Service in its billing systems as a government entity.

Audit Report Recommendations:

1. Identify the accounts affected by the miscoding and ensure that the Postal Service is credited for any overpayments.

Management Comments:

We concur with the finding and recommendation.

The overcharge credits were applied to USPS accounts subsequent to the July 1999, billing error incident. The Contracting Officer will present written confirmation that these credits have been applied by May 2000.

2. Ensure future billings and rates are correct and in compliance with the contract.

Management Comments:

We concur with the finding and recommendation.

By May 2000, these accounts will be transitioned to another vendor.

We will ensure procedures are identified and discussed to prevent a recurrence with the new vendor.

**Major Contributors to
This Report**

[REDACTED]