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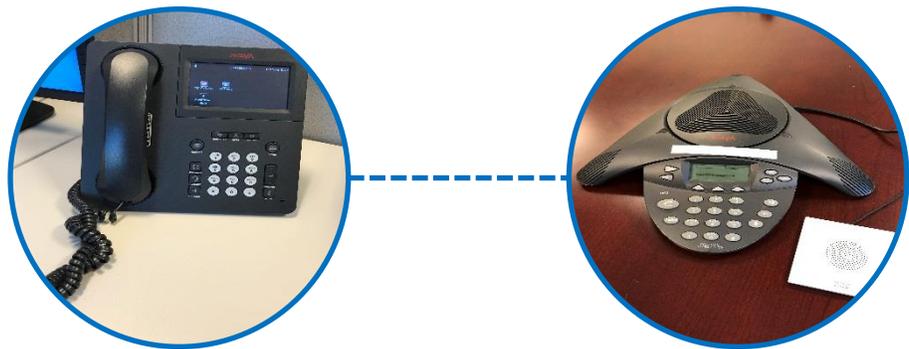
OFFICE OF INSPECTOR GENERAL

Operating efficiently and effectively

EPA Needs to Improve Oversight of Its Audio Conference Services

Report No. 17-P-0408

September 26, 2017



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Abbreviations

EPA	U.S. Environmental Protection Agency
FY	Fiscal Year
GAO	Government Accountability Office
HPAC	Headquarters Personal Audio Conference
OCFO	Office of Chief Financial Officer
OECA	Office of Enforcement and Compliance Assurance
OEI	Office of Environmental Information
OIG	Office of Inspector General
OMB	Office of Management and Budget
VoIPPC	Voice over Internet Protocol Phone Conference
WCF	Working Capital Fund

Cover photos: An EPA-issued desk telephone (left), and an EPA audio conference call device. (EPA OIG photos)

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At a Glance

Why We Did This Review

The U.S. Environmental Protection Agency (EPA), Office of Inspector General (OIG), performed this audit to determine whether EPA oversight and use of audio conference line services are an efficient and economical way to use taxpayer funds.

The EPA provides multiple audio conference services. Reservationless Plus is the agency's primary audio conference service. In fiscal years 2015 and 2016, EPA offices and regions spent over \$8 million using Reservationless Plus.

The EPA's Office of Environmental Information (OEI) is the administrator of the agency's audio conference line services.

This report addresses the following:

- *Operating efficiently and effectively.*

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EPA Needs to Improve Oversight of Its Audio Conference Services

What We Found

The EPA's internal controls and oversight of its audio conference services need improvement. Our review found the following:

- The EPA did not establish official policies and procedures for the efficient use of audio conference services.
- The EPA did not effectively monitor service costs and usage, and did not have documentation readily available to determine whether service cost estimates were reasonable and accurate.
- Two EPA regions and an EPA program office spent over \$260,000 to contract for services already provided by the agency.

The EPA is unable to substantiate whether its audio conference service usage totaling \$8.4 million was cost-effective.

This occurred because the EPA was not fully aware of the required controls needed to mitigate risks, including management roles and responsibilities for such control activities. In fiscal year 2016, the EPA spent about \$1.2 million for audio conference calls with one to six participants. These costs could have been avoided by using other less costly conference call services.

Recommendations and Planned Corrective Actions

We recommend that OEI's Assistant Administrator and Chief Information Officer establish internal controls that include (a) completing an assessment, (b) implementing policies and procedures that define customer roles and responsibilities, and (c) providing training on the use of audio conference services and avenues for potential cost savings. We also recommend that OEI design and implement internal controls that allow EPA program offices and regions to monitor audio conference activities. In addition, we recommend that OEI maintain documentation to support Reservationless Plus usage rate formulation, approvals and calculations.

We recommend that the EPA's Chief Financial Officer increase customer awareness about the agency's Working Capital Fund Policy Standard requirements for mandatory services, and establish controls that require EPA program offices and regions to comply with the mandatory services requirements.

The agency concurred with all recommendations, but OEI's planned corrective actions do not meet the intent of Recommendations 1, 2 and 4. These recommendations are unresolved, and we will work with the agency for resolution. We consider the planned corrective actions for Recommendation 3 to be acceptable. Recommendation 3 is resolved with corrective actions pending.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

THE INSPECTOR GENERAL

September 26, 2017

MEMORANDUM

SUBJECT: EPA Needs to Improve Oversight of Its Audio Conference Services
Report No. 17-P-0408

FROM: Arthur A. Elkins Jr.

A handwritten signature in black ink, appearing to read "Arthur A. Elkins Jr.", is written over the printed name.

TO: Steven Fine, Acting Assistant Administrator and Chief Information Officer
Office of Environmental Information

David Bloom, Acting Chief Financial Officer
Office of the Chief Financial Officer

This is our report on the subject audit conducted by the Office of Inspector General (OIG) of the U.S. Environmental Protection Agency (EPA). The project number for this audit was OA-FY16-0275. This report contains findings that describe the problems the OIG has identified and corrective actions the OIG recommends. This report represents the opinion of the OIG and does not necessarily represent the final EPA position. Final determinations on matters in this report will be made by EPA managers in accordance with established audit resolution procedures.

Action Required

The Office of Environmental Information concurred with Recommendations 1, 2 and 4, but the office's planned corrective actions do not meet the intent of the recommendations. These recommendations are unresolved. We consider the planned corrective actions for Recommendation 3, addressed to the Chief Financial Officer, to be acceptable and the recommendation is resolved.

In accordance with EPA Manual 2750, the resolution process begins with the issuance of this report. Within 30 days, we are requesting that the acting Assistant Administrator for Environmental Information and Chief Information Officer meet with the OIG's Assistant Inspector General for Audit. If resolution is still not reached, the Office of Environmental Information is required to complete and submit a dispute resolution request to the Chief Financial Officer to continue resolution.

If your office provides acceptable corrective action prior to the meeting, your response should be provided as an Adobe PDF file that complies with the accessibility requirements of Section 508 of the Rehabilitation Act of 1973, as amended. The final response should not contain data that you do not want to be released to the public; if your response contains such data, you should identify the data for redaction or removal along with corresponding justification.

We will post this report to our website at www.epa.gov/oig.

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Chapter 1

Introduction

Purpose

The U.S. Environmental Protection Agency (EPA), Office of Inspector General (OIG), conducted this audit to determine whether the EPA's oversight and use of audio conference line services are an efficient and economical way to use taxpayer funds.

Background

The EPA provides multiple audio conference services throughout the agency. These services are provided through the agency's working capital fund (WCF). The WCF is a revolving fund authorized by law to finance a cycle of operations in which the costs for goods or services provided are charged to users. The WCF operates like a commercial business within the EPA. Customers pay for services received and generate revenue for the fund. Customers include EPA offices and other federal agencies. The EPA has used the WCF to finance audio conferencing services.

Reservationless Plus Conference Service

The Reservationless Plus service is the EPA's primary audio conference service. Reservationless Plus provides audio conference services to EPA employees 24 hours a day, 7 days a week. The service links multiple meeting participants through a single telephone conversation. Reservationless Plus also provides basic and premium operator assistance, as well as international dialing options.

The basic Reservationless Plus service allows employees to host conference calls for up to 125 participants, and the service is billed to EPA regions and offices through the WCF based on usage. Reservationless Plus usage is determined by the number of participants and the length (i.e., minutes) of the conference. EPA offices and regions spent over \$5 million in fiscal year (FY) 2015, and over \$3.4 million in FY 2016, for Reservationless Plus usage and additional surcharges. The EPA has limited records on the usage of this service.

Headquarters Personal Audio Conference Service

The Headquarters Personal Audio Conference (HPAC) service offers the ability to conference up to five participants plus a leader. A total of six people can be on the conference line, and a call-in number and code are provided to participants. The HPAC service is an excellent alternative to Reservationless Plus for EPA headquarters employees. However, HPAC is not available to EPA regions, and the service has also reached its capacity. Currently, the EPA is not accepting new account requests for this service. The EPA does not have records to document its usage of the HPAC service.

Manual Voice over Internet Protocol Phone Conference

As an alternative to the HPAC service, the EPA's Office of Environmental Information (OEI) provides the Manual Voice over Internet Protocol Phone Conference (VoIPPC) through the Enterprise Voice Services initiative, which migrates old phone services to a Voice over Internet Protocol. The Enterprise Voice Services initiative unifies voice services across the EPA as it reduces costs, standardizes business processes, and provides a more robust telecommunications platform for employees to use.



EPA desk telephone.
(EPA OIG photo)

The Manual VoIPPC allows employees to manually conference up to five participants plus a leader at no cost. A total of six people can be on the conference line while using a desk telephone.

Other Audio Conference Services

Other audio conference services contracted by one EPA program office and two EPA regions include the following:

- **1 Source International LLC**—Used by the EPA's Office of Enforcement and Compliance Assurance.
- **BT Conferencing Video Inc.**—Used by EPA Region 8.
- **1 Source International LLC**—Used by EPA Region 5.

Responsible Offices

OEI administers and manages the EPA's audio and voice services. As the administrator of these services, OEI plans, directs and controls service delivery to WCF customers.

The EPA's Office of the Chief Financial Officer (OCFO) has overall responsibility for the WCF. The WCF board provides policy, planning and operations oversight. The board also advises the EPA's Chief Financial Officer

about the WCF's financial condition. WCF staff provide financial management oversight of the fund.

Noteworthy Achievements

OEI provides audio conference services to the EPA based on customer consumption. OEI stated that it has made every effort to reduce costs and provide exceptional customer service to EPA customers. Audio conference service rates were reduced from \$0.108 per minute/per person/per call in FY 2015 to \$0.055 per minute/per person/per call in FY 2017, while overall customer use steadily increased. OEI stated that the increase in customers contributed to the lowering of audio conference service rates. OEI also stated that it is conducting a unified communications study to review all currently available audio and video conferencing capabilities to eliminate duplication, and to identify the most efficient path forward to support the EPA's conferencing needs.

Scope and Methodology

We conducted this audit from September 7, 2016, to July 25, 2017, in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. 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.

To answer our objective, we reviewed the EPA's audio conference services and related costs, WCF usage and billings, and EPA oversight activities for FYs 2015 and 2016. We also reviewed the following laws, policies and procedures:

- Public Law 97-255, *Federal Managers' Financial Integrity Act of 1982*, September 8, 1982.
- Office of Management and Budget, Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, July 15, 2016.
- Government Accountability Office, GAO-14-704G, *Standards for Internal Control in the Federal Government*, September 2014.
- EPA OCFO, Resource Management Directives System No. 2540-14, Policy Standard, *Working Capital Fund*, January 8, 2014 ("WCF Policy Standard").
- EPA OCFO, Resource Management Directives System No. 2540-14-P5, Policy Procedure 5, *Working Capital Fund Exit Procedures*, January 8, 2014.

To gain an understanding of audio conference service operations and controls, we performed the following:

- Reviewed EPA background information about audio conference services.
- Assessed internal controls related to audio conference service usage.
- Reviewed relevant information systems controls.
- Interviewed EPA staff responsible for audio conference service billings, contracts and WCF rates.
- Conducted a survey of 90 EPA personnel concerning their use of audio conference services. The survey randomly included at least two employees from each EPA program office, and EPA Regions 2, 4, 5, 6 and 8.
- Identified any unique or additional audio conference services used by EPA program offices and regions, and the cost of these services.
- Reviewed contract information for audio conference services.

Chapter 2

EPA Did Not Have Policies and Procedures for Using Audio Conference Services

The EPA did not establish official policies and procedures to mitigate risks associated with using audio conference services, such as cost increases and surcharge services. The Government Accountability Office (GAO) has internal control policies and standards that require management to implement control activities through policies and procedures designed to achieve objectives such as effectiveness and efficiency of operations.

As the administrator of audio conference services, OEI is responsible for establishing control activities through policies and procedures designed to mitigate relevant risks associated with using audio conference services. OEI was not fully aware of the need for controls over audio conference service usage because OEI did not assess the risks associated with using these services. As a result, the EPA did not maximize cost-savings opportunities available by leveraging audio conference service usage, or by using alternative services.

EPA Is Required to Implement Effective Internal Controls

EPA management is responsible for implementing policies and procedures to mitigate risks. GAO's *Standards for Internal Control in the Federal Government*, September 2014, Principle 7, paragraph 7.01, states that "Management should identify, analyze, and respond to risks related to achieving the defined objectives." Overview information for the Control Activities section on page 44 states the following:

Control activities are the actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes the entity's information system.

And Principle 12, paragraph 12.03, explains management responsibilities:

Management documents in policies for each unit its responsibility for an operational process's objectives and related risks, and control activity design, implementation, and operating effectiveness.

Principle 12, paragraph 12.03, also states, "Each unit also documents policies in the appropriate level of detail to allow management to effectively monitor the control activity." In addition, paragraph 12.04 states, "Management

communicates to personnel the policies and procedures so that personnel can implement the control activities for their assigned responsibilities.”

EPA Did Not Implement Control Activities to Mitigate Risks

The EPA did not issue official policies and procedures to implement control activities to address the relevant risks associated with using audio conference services, such as increased costs. OEI did not create a policy or procedure that required offices and regions to adhere to opportunities for audio conference service cost savings by using various audio conference systems, or alternative services such as the HPAC service and the Manual VoIPPC.

OEI also did not develop training to educate employees on how to efficiently use audio conference services to reduce costs. In August 2014, staff from the WCF issued the service evaluation report titled *Audio and Web Conferencing*. The evaluation reported the following:

- WCF audio conference service users were dissatisfied with the service costs and considered the service expensive.
- EPA employees need to be educated about the ways to reduce audio conference service costs.
- EPA should consider other contracting sources for its Reservationless Plus audio conference service contract.

We conducted a survey of 90 agency staff to learn about audio conference services used throughout the EPA. We received 27 responses, which resulted in a 30-percent response rate to our survey. Of the 27 survey respondents, 11 expressed concerns about high costs, other services being available at a lower cost, and employees generally not being aware of Reservationless Plus service costs.

OEI Was Not Fully Aware of the Need for Control Mechanisms

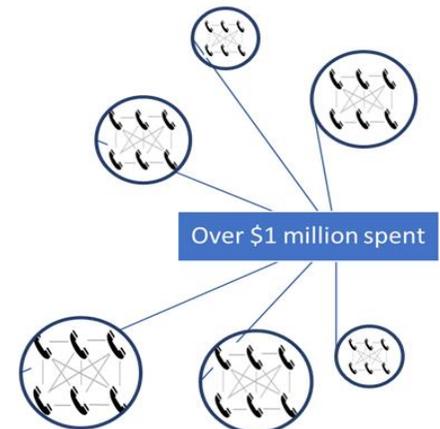
As the administrator of the agency’s audio conference services, OEI is responsible for establishing control activities through policies and procedures designed to mitigate relevant risks associated with using audio conference services. OEI was not fully aware of the need for controls over audio conference service usage because it did not assess the risks associated with this usage. The WCF evaluation report and OEI’s 2014 article addressed the need to reduce costs and educate agency staff on audio conference services. However, OEI did not implement controls to mitigate the risks associated with audio conference service usage costs, such as establishing policies that address roles and responsibilities for customer program offices and regions, and informing users about ways to reduce costs.

EPA Spent Over \$1 Million for Audio Conference Service Calls With Six or Fewer Participants

Using 12 months of call data, OEI analyzed audio conference calls with six or fewer participants in EPA program offices, and estimated potential Reservationless Plus cost savings of about \$1.8 million. Although OEI provided this information on its website, it does not have a policy or procedure that encourages staff to use lower-cost audio services.

We found that in FY 2016, the EPA spent about \$1.2 million on audio conference calls with six or fewer participants. Audio conference users are not aware of the potential areas to reduce costs and need training on using audio conference services. Adequate control mechanisms are needed to help reduce audio conference service costs and maximize Reservationless Plus services.

Figure 1: EPA spent over \$1 million for audio conference service calls with six or fewer participants



Source: EPA OIG-generated figure.

Conclusion

The EPA did not issue official policies and procedures to implement control activities to address relevant risks associated with using audio conference services, such as increased costs. As the administrator of audio conference services, OEI was not aware of its responsibility to establish adequate mechanisms over audio conference service usage.

As a result, cost-saving opportunities were not maximized to leverage audio conference service usage or alternative services. Audio conference users also are not aware of the potential areas to reduce costs. OEI should establish control activities to assess the risks associated with using audio conference services, define customer roles and responsibilities for using audio conference services, and provide training to audio conference users about the services and avenues for potential cost savings.

Recommendation

We recommend that the Assistant Administrator for Environmental Information and Chief Information Officer:

1. Establish the following internal controls:
 - a. Complete an assessment of risks associated with using audio conference services.
 - b. Implement policies and procedures that define customer roles and responsibilities for using audio conference services.
 - c. Provide training on the use of audio conference services and avenues for potential cost savings.

Agency Comments and OIG Evaluation

The agency agreed with our recommendation. For recommendation 1a, OEI stated that it has assessed risks with the Reservationless Plus service and made significant efforts to control the costs of the service, but EPA offices that use the service must also consider risks and costs. OEI also stated that sufficient service information, reports and reviews are available to individual offices to make informed decision on service consumption levels within their respective resource constraints. OEI noted that it has been exploring opportunities to further reduce costs and is promoting Skype as a lower-cost replacement for Reservationless Plus. OEI plans to promote the transition through an outreach campaign during FY 2018. OEI provided an estimated completion date of September 30, 2018, for this part of the recommendation.

We agree with OEI's response to Recommendation 1a. However, OEI did not provide its assessment of the risks associated with using audio conference services.

For Recommendation 1b, OEI stated that this part of the recommendation is complete because OEI considers the policies and procedures and customer roles and responsibilities to be well-defined already. OEI also stated that the Working Capital Fund Policy Standard outlines policy for audio conference services. OEI went on to state that it provides agency staff with information on these services through various links on the EPA's intranet, periodic training sessions, and through OEI's eBusiness application.¹

¹ eBusiness is a web application where users establish accounts, shop for WCF products and services via an online catalog, obtain products and services, and monitor usage. Activity Managers and Service/Product Managers are able to provide and charge-back for products and services via automated registration, usage submission and verification, billing and reporting features.

Although OEI agreed with the Recommendation 1b, its response does not meet the intent of our recommendation. The Working Capital Fund Policy Standard is an OCFO policy. Training links on the EPA's intranet provide access instructions on how to get a Reservationless Plus account, how to use the service, sign-on to calls, and the costs related to using the audio conference line services. As the manager of the EPA's audio conference services, OEI has not established its own policies and procedures that explain OEI's roles as the manager of the mandatory audio conference services, as well as customer roles associated with monitoring costs and using the most cost-effective audio service. OEI should establish and implement policies and procedures that explain these controls.

For Recommendation 1c, OEI stated that the EPA's intranet provides training via several links, guides and artifacts showing the user how to use the various services and what they cost. OEI also stated that during FY 2018, it plans to do additional training and outreach to promote the use of Skype for audio conferencing. OEI provided an estimated completion date of September 30, 2018, for this part of the recommendation.

Although OEI agreed with Recommendation 1c, its response does not meet the intent of our recommendation. OEI directed us to several agency links that included the EPA's intranet, EPA Region 5's intranet, and two Office of Research and Development intranets. We agree that agency links would provide training on audio conference services. However, OEI should establish agencywide training to address avenues for potential cost savings, direct agency staff to the various links provided, and the usage of Skype for audio conferencing planned for FY 2018.

We consider Recommendation 1 unresolved, and we will work with the agency for resolution.

Chapter 3

OEI Did Not Implement Controls to Oversee Audio Conference Service Costs and Usage

As the administrator of audio conference services, OEI plans, directs and controls service delivery to WCF customers. OEI did not implement controls that require audio conference service costs and usage to be effectively monitored. OEI also was not aware of contractor costs for the HPAC service.

Federal laws and standards require management to establish internal controls to provide reasonable assurance that resources are safeguarded against fraud, waste and abuse. OEI stated that it relies on EPA program offices and regions to monitor audio conference service usage. OEI also believed that there was no cost for the HPAC service. The EPA is unable to determine whether audio conference service usage totaling over \$8.4 million for FYs 2015 and 2016 was a cost-effective use of taxpayer funds, and whether the funds were used for authorized purposes. The EPA is at risk of misusing taxpayer funds for services other than Reservationless Plus, because the agency has no documentation to support the monitoring, costs and usage of the HPAC service.

EPA Is Required to Implement Effective Internal Controls to Monitor Audio Conference Services

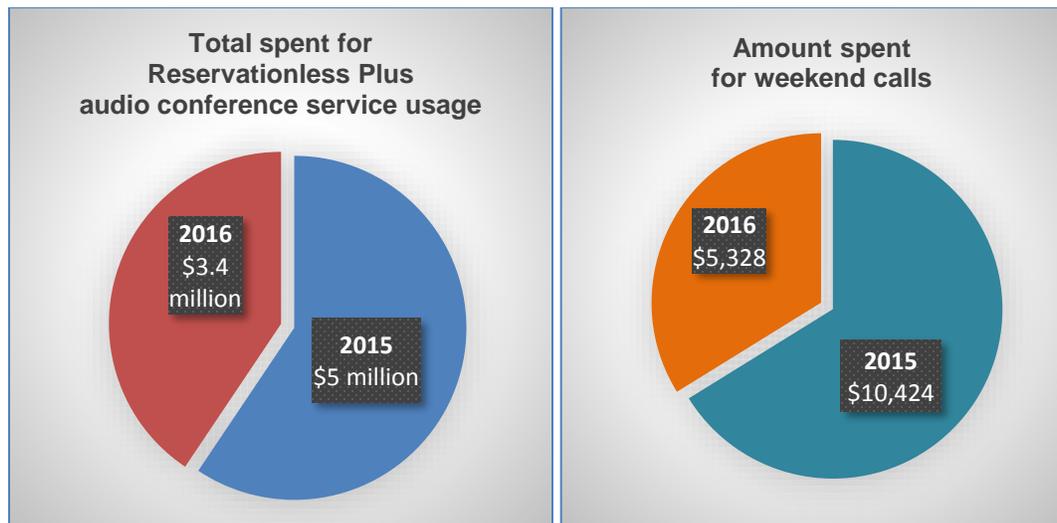
The EPA did not implement controls that require audio conference service costs and usage to be effectively monitored. The Federal Managers' Financial Integrity Act of 1982 requires federal agencies to establish internal accounting and administrative controls to provide reasonable assurances that property and other assets are safeguarded against waste and unauthorized use. OEI controls are needed to require program offices and regions to monitor audio conference services. GAO's *Standards for Internal Control in the Federal Government*, Principle 16, paragraph 16.04, states that "Ongoing monitoring is built into the entity's operations, performed continually, and responsive to change." Also, paragraph 16.05 states the following:

Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations, and other routine actions.

OEI Lacks Controls to Monitor Audio Conference Services

OEI did not implement controls to require program offices and regions to monitor Reservationless Plus costs and usage. OEI stated that it relies on EPA program offices and regions to monitor audio conference service usage. EPA program offices and regions spent \$8,464,646 in FYs 2015 and 2016 for Reservationless Plus audio conference services. This total amount includes \$15,752 spent for weekend audio conference calls. Figure 2 below shows EPA program offices' and regions' expenditures in FYs 2015 and 2016 for Reservationless Plus audio conference services.

Figure 2: EPA expenses for Reservationless Plus usage and for weekend calls



Source: OIG analysis of FY 2015 and FY 2016 EPA expenses for Reservationless Plus.

OEI also does not know the contract cost for the design and implementation of the HPAC service, which was implemented to reduce the costs of Reservationless Plus. OEI said that the HPAC service was acquired through modifications of existing contracts for audio conferencing and telephone services. OEI could not identify the actual cost for the HPAC service, and did not have documentation to support contract modifications for the design and implementation of the service.

OEI believes that the HPAC service is available at no cost to the agency. However, OEI's contractor provided a spreadsheet to us containing HPAC service usage data, which shows the service is billed to EPA program offices through the WCF voice service at a rate per minute. Billings for FYs 2015 and 2016 totaled \$66,191 for usage of the HPAC toll-free service line.

OEI Relies on EPA Programs and Regions to Monitor the Costs and Usage of Audio Conference Services

OEI stated that managers in all EPA offices and regions should monitor the use and related costs of audio conference services. We concluded that OEI does not

believe it is their office's responsibility to verify EPA program offices and regions are monitoring audio conference activities to prevent unauthorized use and waste.

In accordance with the EPA's WCF Policy Standard, Exhibit 1, most WCF services are in data processing activity, which is managed by OEI. Data processing activity includes audio conference and voice services. OEI is the administrator of the Reservationless Plus audio conference service, and voice services that include the HPAC service and the Manual VoIPPC system within the data processing activity.

OEI has not developed mechanisms to effectively capture HPAC service costs and usage. OEI believes that it did not incur costs for the acquisition of the HPAC service. However, OEI's contractor stated that OEI did not require them to separately track and account for design costs and implementation of the HPAC service.

EPA Risks Wasting Taxpayer Funds

The EPA is unable to assess whether conference call services totaling over \$8.4 million was an economical use of taxpayer funds. Also, without controls to effectively monitor audio conference service costs and usage by program offices and regions, the EPA is unable to assess whether funds were used for authorized purposes. The EPA is at risk of wasting taxpayer funds for the HPAC service because OEI did not monitor the costs or usage of the service.

Conclusion

As the administrator of audio conference services, OEI did not implement controls to require EPA program offices and regions to monitor Reservationless Plus costs and usage. OEI also has not developed controls to effectively capture HPAC service costs and usage. EPA program offices and regions are unable to assess whether usage costs totaling over \$8.4 million for FYs 2015 and 2016 were an economical use of taxpayer funds, and whether funds were used for authorized purposes. The EPA should design and implement controls that require program offices and regions to (1) effectively monitor audio conference service usage, and (2) track and account for costs. The EPA also would reduce the risk of abuse and waste related to audio conference services by designing and implementing control mechanisms for effective monitoring.

Recommendation

We recommend that the Assistant Administrator for Environmental Information and Chief Information Officer:

2. Design and implement internal controls that allow EPA program offices and regions to monitor audio conference activities to prevent unauthorized use and waste.

Agency Comments and OIG Evaluation

The agency agreed with Recommendation 2. OEI stated that this recommendation is complete, and that the necessary controls exist to allow EPA program offices and regions to monitor audio conference service activities. OEI stated that its eBusiness application contains all current and historical consumption data for EPA headquarters and regional offices. OEI also stated that EPA offices using audio conferencing services currently have the tools to routinely monitor their billed usage of all WCF services. In addition to using OEI's eBusiness application, customers also receive a Conference Summary Report with pertinent conference information.

Although OEI agreed with Recommendation 2, its response does not meet the intent of our recommendation. As the manager of the EPA's audio conference services, OEI has not designed and implemented controls, such as a reporting process or procedures for using the tools that would require EPA program and regional offices to use OEI tools to routinely monitor the usage of audio conference services. Although there may be legitimate reasons for Reservationless Plus calls with six or fewer participants, with no established requirements to use lower-cost services, the potential for waste and unauthorized use continue to exist.

We consider this recommendation unresolved, and we will work with the agency for resolution.

Chapter 4

EPA Did Not Follow Its Audio Conference Service Requirement for Sole-Provider Services

EPA Regions 5 and 8, and the agency's Office of Enforcement and Compliance Assurance (OECA), duplicated sole-provider audio conference services by spending over \$260,000 to contract for similar services. However, the EPA's WCF Policy Standard states that sole-provider services must be ordered through the WCF. In addition, the EPA's guidance for WCF service agreements lists audio conference services as a sole-provider service.

WCF staff stated that they do not know how to determine whether WCF customers are using audio conference services outside the WCF. EPA organizations misused over \$260,000 of taxpayer funds to acquire audio conference services and did not realize expected cost savings from the WCF because the agency did not follow its own financial policy standard.

EPA Directives Establish the Working Capital Fund as the Sole Provider of Audio Conference Services

The EPA's WCF Policy Standard describes WCF service categories and requirements by service types, such as "Sole Provider," "Preferred Provider" and "Discretionary." For FYs 2015 and 2016, the EPA's audio conference service was listed as a sole-provider service. The directive states the following about sole-provider services:

EPA internal customers must order these services through the WCF and cannot use an outside provider. No requests for a WCF departure waiver to procure any of these services from an alternative service provider will be considered. Examples include services provided by the Postage, Financial Management, and Employee Relocation Activities, as well as email, desktop, and computer security.

According to the WCF Policy Standard, Part II, the EPA can save costs by consolidating WCF services. The policy mentions the following benefits:

Cost savings achieved through agencywide enterprise solutions. The WCF provides services on a consolidated basis across the agency. This is more cost effective than each office buying the service individually.

Improved customer awareness of costs and management of service consumption. Customers are informed of the cost associated with each service and receive monthly bills providing utilization, thus enabling them to make informed decisions on consumption levels necessary for their office and related costs.

Two EPA Regions and an EPA Program Office Procured Audio Conference Services Outside the Working Capital Fund

EPA Regions 5 and 8, and the OECA program office, contracted audio conference services from providers outside the WCF. Staff from the WCF became aware of the audio conference services for Regions 5 and 8 at a WCF board meeting. At that meeting, regional representatives explained that the services they acquired were at a lower cost than the WCF-provided Reservationless Plus audio conference service. WCF staff asked the EPA's Office of the Chief Financial Officer, Business Analysis Branch, to evaluate both regions' audio conference services. However, WCF staff were unable to determine the total costs of these services because the staff could not obtain data about regional overhead costs. WCF staff stated they informed board representatives from EPA Regions 5 and 8 that the use of the Reservationless Plus service is mandatory for regions.

We conducted a survey of 90 EPA staff, and from the 27 respondents we learned about the different audio conference services throughout the agency. Survey participants from EPA Regions 5 and 8 responded that they requested a waiver to procure audio conference services outside the WCF. However, the regions requested the waivers through regional management; not directly through WCF staff. Region 5 stated that beginning in FY 2011, the region was experiencing severe budget constraints. Region 5 identified the regional audio conference service costs obtained through the WCF as an area for potential operating cost reductions, because the region's market research showed a substantial gap between the Reservationless Plus service and open-market rates. Region 8 stated that it was unaware that Reservationless Plus was a mandatory service.

The EPA's WCF Policy Standard states that the agency will not consider requests for a WCF departure waiver to procure any audio conference services from an alternative service provider. WCF staff stated in interviews that they are not aware of any requests to depart from using WCF audio conference services.

The active contract spreadsheet that we obtained from the EPA's Office of Acquisition Management's intranet website included contract data as of February 26, 2016. Using the spreadsheet, we identified three audio conference service contracts for Regions 5 and 8, and OECA. Further, we reviewed the EPA's financial system and identified \$264,984 in audio conference service

expenses from FY 2015 through FY 2016. Specifically, the financial data and contracting information we reviewed showed the following:

- **October 14, 2014, through September 29, 2016**—OECA spent a total of \$59,926 for an audio conference service contract with 1 Source International LLC. This contract ended July 30, 2016.
- **October 6, 2014, through August 29, 2016**—EPA Region 5 spent a total of \$139,094 for an audio conference service contract with 1 Source International LLC. This contract has funds available until FY 2018 in the EPA's financial system. However, Region 5 stated it returned to using WCF services in March 2017.
- **February 11, 2015, through September 29, 2016**—EPA Region 8 spent a total of \$65,964 for an audio conference service contract with BT Conferencing Video Inc. This contract has funds available through FY 2017.

WCF staff explained that they rely on WCF board representatives and service managers to inform customers about requirements for sole-provider services. WCF staff stated that they could not determine which customers use or do not use sole-provider services. WCF control mechanisms are needed to increase customer awareness of WCF requirements found in the EPA's WCF Policy Standard, and requirements that mandate customers comply with the directive.

EPA Increased Its Audio Conference Service Costs

The EPA was inefficient in its use of taxpayer funds for audio conference services, because two EPA regions and a program office did not follow the agency financial policy. When WCF customers procure services outside the fund, expected cost savings are not achieved through the services provided on a consolidated basis across the agency. According to the EPA's WCF Policy Standard, this agencywide enterprise solution is more cost-effective than each office buying the service individually. When controls that enforce WCF requirements are not implemented, the EPA is at risk of increased inefficiencies related to the use of audio conference services.

Conclusion

EPA Regions 5 and 8, and the OECA program office, duplicated audio conference services by spending over \$260,000 in contract services outside the WCF. Services were duplicated because Region 5 identified the service as an area for potential operating cost reduction, and Region 8 was unaware that Reservationless Plus was a mandatory service.

The EPA was inefficient in its use of taxpayer funds for audio conference services. EPA program offices and regions that procure WCF mandatory services outside the fund increase the agency's risk of wasting taxpayer funds and hinder the EPA's ability to achieve expected cost savings from the WCF. The EPA should increase customer awareness and establish controls for agency program offices and regions to comply with policies and procedures for the efficiency of operations.

Recommendation

We recommend that the Chief Financial Officer:

3. Increase the EPA's internal customer awareness of the Working Capital Fund Policy Standard's mandatory services requirements, and establish controls that require EPA program offices and regions to comply with the requirements.

Agency Comments and OIG Evaluation

The agency agreed with our recommendation and provided corrective actions with completion dates.

For Recommendation 3, OCFO stated that it will prepare an annual memorandum to be distributed to the WCF board. The memorandum will outline all sole provider, preferred provider and discretionary services provided by the WCF. In addition, OCFO stated that it will prepare a memorandum for distribution to the Office of Administration and Resources Management's Office of Acquisition Management. The memorandum will serve as notification for the Office of Acquisition Management not to award contracts or task orders related to WCF sole-provider services. These services must be purchased through the WCF, and a waiver cannot be requested to purchase services from an outside vendor.

OCFO estimated that the completion date for Recommendation 3 is December 31, 2017.

We consider the agency's planned corrective actions for this recommendation to be acceptable. The recommendation is resolved with corrective actions pending.

Chapter 5

OEI Did Not Have Supporting Documentation for Reservationless Plus Service Cost Estimates

The EPA did not have supporting documentation for Reservationless Plus audio conference service cost estimates and billing rate calculations. The EPA's WCF Policy Standard requires WCF service providers, customers, financial and other support staff to maintain records at the transaction level to, "Provide clear audit trails of financial transactions that include all materials created in support of a financial transaction."

OEI did not maintain records relating to communications that involve the calculations and approvals of rates. As a result, the EPA cannot effectively monitor Reservationless Plus service usage rates, and the agency is at an increased risk of wasting resources and incorrectly billing its WCF customers.

Federal Standards and EPA Policy Require Management to Maintain Documentation for Examination

GAO's *Standards for Internal Control in the Federal Government*, Principle 10.03, requires appropriate documentation of transactions and internal control. Further, the WCF Policy Standard, Part II, Section D, states the following:

The EPA will maintain records at the transaction level that:

1. Provide clear audit trails of financial transactions that include all materials created in support of a financial transaction or event.
2. Include disclosure of events or circumstances that affect a user's interpretation.

In addition, Exhibit 3 in Section 1d of the WCF Policy Standard states the following:

During the planning phase of the WCF Business Cycle, WCF Activities compute a proposed service rate, using estimated costs and workload data, for each of the services and products to be offered during the upcoming fiscal year.

EPA Did Not Follow Policy and Maintain Documentation for Reservationless Plus Service Usage Rate Determinations

The EPA did not have supporting documentation for the Reservationless Plus audio conference service cost estimates and billing rate calculations. OEI staff

responsible for the Reservationless Plus usage rate calculations provided us with a table of estimated costs and expected Reservationless Plus minutes for FYs 2015 and 2016. However, OEI did not have documentation to support the basis for the detailed costs listed in the tables, and how the estimates related to the acquisition and delivery of service.

OEI staff explained that they do not follow a standard procedure for calculating Reservationless Plus cost estimates, and they provided documentation that only lists cost estimates and the expected Reservationless Plus usage of minutes. OEI staff stated that they do not follow a standard procedure for documenting the WCF's Reservationless Plus usage rate calculation. However, the EPA's WCF Policy Standard outlines a rate formulation and approval process, and requires the agency to maintain documentation that provides clear audit trails of financial transactions that include all materials created in support of a financial transaction or event.

OEI staff explained that the former Reservationless Plus audio conference service manager left the EPA; therefore, no one was available to provide details about the Reservationless Plus cost estimates used in FYs 2015 and 2016 for WCF usage billing rate calculations. OEI staff stated that communications related to the calculations and approvals of usage billing rates mainly occur via telephone. OEI does not have records of such communications.

Further, OEI was unable to document that Reservationless Plus service usage billing rate determinations are reliable and accurate for recovering full service costs. The EPA is at an increased risk of wasting resources and incorrectly billing its WCF customers, because OEI does not have supporting documentation for Reservationless Plus service costs and estimates.

Conclusion

The EPA should maintain documentation and records of Reservationless Plus audio conference service cost estimates and WCF billing rate determinations to effectively monitor costs and establish rates that are accurate and reasonable. Billing rates are intended to recover the full cost of acquiring and delivering the service to program offices and regions. Maintaining detailed records of the costs involved with providing the service is necessary to establish a WCF billing rate that is not significantly overstated or understated.

Recommendation

We recommend that the Assistant Administrator for Environmental Information and Chief Information Officer:

4. Maintain documentation to support Reservationless Plus usage rate formulation, approvals and calculations.

Agency Comments and OIG Evaluation

The agency agreed with our recommendation. For Recommendation 4, OEI stated this recommendation is complete, and the process is well-documented. The service rate is developed as part of the detailed budget formulation process overseen by the OCFO's WCF staff. OEI also stated that sufficient documentation exists to support the rate formulation and approvals. In addition, OEI provided the FY 2016 WCF Financial Statements and Independent Auditor's Report, and stated that it further shows that WCF processes are acceptable.

Although OEI agreed with Recommendation 4, its response does not meet the intent of our recommendation. While OEI stated it has completed this recommendation, OEI did not provide approval documentation to support the process. OEI should follow the EPA's WCF Policy Standard and maintain approval documentation so that there is an audit trail of its decisions, approvals and formulation process.

We consider this recommendation unresolved, and we will work with the agency for resolution.

Status of Recommendations and Potential Monetary Benefits

RECOMMENDATIONS

Rec. No.	Page No.	Subject	Status ¹	Action Official	Planned Completion Date	Potential Monetary Benefits (in \$000s)
1	8	Establish the following internal controls: a. Complete an assessment of risks associated with using audio conference services. b. Implement policies and procedures that define customer roles and responsibilities for using audio conference services. c. Provide training on the use of audio conference services and avenues for potential cost savings.	U	Assistant Administrator for Environmental Information and Chief Information Officer		\$8,465
2	13	Design and implement internal controls that allow EPA program offices and regions to monitor audio conference activities to prevent unauthorized use and waste.	U	Assistant Administrator for Environmental Information and Chief Information Officer		\$66
3	17	Increase the EPA's internal customer awareness of the Working Capital Fund Policy Standard's mandatory services requirements, and establish controls that require EPA program offices and regions to comply with the requirements.	R	Chief Financial Officer	12/30/17	\$264
4	20	Maintain documentation to support Reservationless Plus usage rate formulation, approvals and calculations.	U	Assistant Administrator for Environmental Information and Chief Information Officer		

¹ C = Corrective action completed.

R = Recommendation resolved with corrective action pending.

U = Recommendation unresolved with resolution efforts in progress.

Agency Response to Draft Report



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

August 29, 2017

MEMORANDUM

SUBJECT: Response to Office of Inspector General Draft Audit Report No. OA-FY16-0275 “EPA Needs to Improve Oversight of Its Audio Conference Services,” dated July 25, 2017

FROM: David A. Bloom, Acting Chief Financial Officer
Office of the Chief Financial Officer

Steven Fine, Acting Assistant Administrator and Chief Information Officer
Office of Environmental Information

TO: Kevin Christensen, Assistant Inspector General
Office of Inspector General

Thank you for the opportunity to respond to the issues and recommendations in the subject draft audit report. Following is a summary of the U.S. Environmental Protection Agency’s overall position, along with its position on each of the draft report recommendations. We have provided high-level intended corrective actions and estimated completion dates to the extent we can.

AGENCY’S OVERALL POSITION:

The agency concurs with all of the recommendations.

AGENCY’S RESPONSE TO DRAFT AUDIT RECOMMENDATIONS:

No.	Recommendation	High-Level Intended Corrective Action(s)	Estimated Completion by Quarter and FY
1	Establish the following internal controls: - Complete an assessment of risks associated with using audio conference services.	- The Office of Environmental Information has assessed risks with the service and made significant	4 th Quarter FY 2018

	<ul style="list-style-type: none"> - Implement policies and procedures that define customer roles and responsibilities for using audio conference services. - Provide training on the use of audio conference services and avenues for potential cost savings. 	<p>efforts to control costs of the service, but offices that use the service must also consider risks and costs. Sufficient service information, reports and reviews are available to individual offices to make informed decision on service consumption levels within their respective resource constraints. The OEI has been exploring opportunities to further reduce costs and is exploring promoting Skype as a lower cost replacement for ReservationlessPlus, and plans to promote the transition to Skype through an adoption outreach campaign during FY 2018.</p> <ul style="list-style-type: none"> - The OEI considers the policies and procedures and customer roles and responsibilities to be well defined already. The Working Capital Fund Policy Standard outlines policy for these services, and the OEI informs agency staff with information on these services through the various links on the intranet, and through periodic training sessions and the eBusiness application. Please see link in “Training Related Links” section below. - The EPA’s intranet provides training via several links, guides and artifacts showing the user how to use the various services and what 	<p>Completed</p> <p>4th Quarter FY 2018</p>
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		<p>they cost. The OEI has made this form of training available along with additional means to inquire about the services and how they work. The links provided in the “Training Related Links” section fully covers the functions of the services provided. For those users that would like to request additional information, there are contact numbers provided for their convenience. During FY 2018, the OEI plans to do additional training and outreach to promote adoption of the use of Skype for audio conferencing.</p>	
2	<p>Design and implement internal controls that allow EPA program offices and regions to monitor audio conference activities to prevent unauthorized use and waste.</p>	<p>The OEI considers the necessary controls exist to allow the EPA program offices and regions to monitor audio conference activities. eBusiness contains all current and historical consumption data for individual headquarters and regional offices. The information is based on customer consumption and subsequent invoicing of audio conferencing services. Over ten years of ordering, usage and billing data is available and can be accessed through direct query and organizational report formats in the eBusiness application. Headquarters and regional offices using audio-conferencing services currently have the tools to routinely monitor their billed usage of this and all WCF services. In addition to eBusiness, customers</p>	Completed

		<p>receive a Conference Summary Report with pertinent conference information. The OEI also provides periodic training that reviews and refreshes user knowledge, and an annual audit by an external commercial certified public accounting firm assesses the adequacy of the agency's internal controls.</p> <p>Related to the discussion of waste and unauthorized use, the OEI wishes to address certain reasons for choosing to use Reservationless-Plus as opposed to the Headquarters Personal Audio Conferencing system. HPAC use is at no cost to the agency, however, it only accommodates six participants. While there are many calls on Reservationless-Plus with six or fewer participants, this can be accounted for by many legitimate reasons.</p> <ul style="list-style-type: none">• At the headquarters location, the number of available six-line audio conferencing accounts is less than the number of voice system users (1,800 versus 8,000).• In some cases, users established a Reservationless-Plus conference line expecting more than six users, and then less called in to participate.• Several offices work with international stakeholders in developing nations who need to be "dialed out" to in	
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		<p>order to participate. That capability is only available through Reservationless-Plus.</p> <ul style="list-style-type: none"> • There are also other options that are only available via Reservationless-Plus, such as operator assistance and recording, that may have resulted in users using that system instead of the less expensive HPAC system. 	
3	<p>Increase the EPA’s internal customer awareness of the Working Capital Fund Policy Standard’s mandatory services requirements, and establish controls that require EPA program offices and regions to comply with the requirements.</p>	<p>The Office of the Chief Financial Officer will prepare an annual memorandum to be distributed to the WCF Board, with a copy to WCF service agreement originators, that will outline all of the sole provider, preferred provider and discretionary services provided by the WCF. The memorandum will include the related policy information from the OCFO’s Policy Procedure 5: WCF Exit Procedures (RMDS 2540-14-P5). The memorandum will serve as reminder of WCF service classifications and the related ability to request departure from these services.</p> <p>The OCFO also will prepare a memorandum for distribution to the Office of Administration and Resources Management’s Office of Acquisition Management that will outline all of the sole provider, preferred provider and discretionary services provided by the WCF. The memorandum will include the related policy information from the OCFO’s Policy Procedure 5: WCF Exit Procedures (RMDS 2540-14-P5). The memorandum will</p>	<p>1st Quarter FY 2018</p> <p>1st Quarter FY 2018</p>

		<p>serve as notification to OAM to not award contracts or task orders related to WCF sole provider services, as they must be purchased through the WCF and a waiver cannot be requested to purchase services from an outside vendor. The memorandum also will be distributed to regional acquisition offices to ensure regional compliance.</p>	
4	<p>Maintain documentation to support Reservationless Plus usage rate formulation, approvals and calculations.</p>	<p>This process is well documented. The service rate is developed as part of the detail rate budget formulation process overseen by the OCFO's WCF staff, the WCF Board of Directors and the Chief Financial Officer. There are very distinct steps in the rate formulation process with required reviews and approvals at each step to include a final overall approval of upcoming fiscal year service rate schedules by the CFO. Sufficient documentation exists to support rate formulation and approvals. This overall process is documented in the OCFO's WCF Operating Instructions. In addition, the actual service revenue and costs are posted at the end of each month to generate the overall service net operating results. We believe the process contains adequate reviews and approvals to document rate development.</p> <p>The Audio Conferencing Service rate determination is based on over ten years of recorded consumption data, projections on current-year</p>	<p>Completed</p>

		usage and customer requirements. Attached is the FY 2016 WCF Financial Statements and Independent Auditor's Report which further shows that WCF processes are found to be acceptable.	
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Training Related Links:

Audio Collaboration Service Quick Reference Guide

http://workplace.epa.gov/pdfs/Audio_One_Pager_QRG.pdf

Conferences and Meetings

<https://intranet.ord.epa.gov/conferences-meetings/meetings-using-reservationless-plus-audio-conferencing>

Reservationless-Plus Audio Conferencing Quick Reference Guide

http://intranet.epa.gov/otopintr/webconferencing/pdf/Quick_Reference_Guide_Reservationless_Plus_4-28-16.pdf

Reservationless-Plus Audio Conferencing Options and Pricing

http://intranet.epa.gov/otopintr/webconferencing/pdf/FY16_Options_Pricing_Info_Reservationless-Plus_4-27-16_V2.pdf

Voice Services for Headquarter Employees

<http://intranet.epa.gov/otopintr/phoneservices/phoneservices.html>

Reservationless-Plus Teleconferencing Instructions

<http://www.r5intra.epa.gov/div/LCD/psb/reservationless-teleconference-instructions-tm-04-2017.pdf>

Reservationless-Plus Conference Call Accounts

<https://intranet.ord.epa.gov/sites/default/files/media/NHEERL/MED/admin-facility/conference-reservationless-plus.pdf>

CONTACT INFORMATION:

If you have any questions regarding this response, please contact Bob Trent, Management Integrity and Accountability Branch, Office of the Controller, at (202) 566-0983.

Attachment

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