

March 21, 2000

RICHARD D. WEIRICH  
VICE PRESIDENT, INFORMATION SYSTEMS

SUBJECT: Cost Savings Identified in the Use of Calling  
Cards by Postal Service Employees  
(Report Number FA-MA-00-003)

This report presents the results of our review of the contract for rates and billing practices of a major telecommunications provider to the Postal Service. The review was initiated to substantiate allegations of excessive charges by the telecommunications provider. This report addresses the results of the review including potential cost savings to the Postal Service related to the contract.

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**Results in Brief**

The Postal Service paid an average of 38 cents per minute for calling card calls, which was 22 cents higher per minute than its toll free, "dial 1", and local phone services. Contractor personnel responsible for billing and invoicing explained that the calling card charges were higher because Postal Service personnel used operator assistance instead of direct dial when making calls. We suggested that the program manager, Telecommunications Services identify the Postal Service districts currently under the contract and notify their personnel to use direct dial when using calling cards. Management agreed with our suggestion and has taken corrective action. Management's comments, in their entirety, are included in the appendix.

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**Background**

In May 1998 the Postal Service issued an interim one year contract with a major telecommunications provider (with an additional one year option) to provide telephone services (i.e. calling card, toll free, mobile, etc). The one year contract term enabled the Postal Service to assess the type of telephone services they needed. According to this interim contract, the contractor's telephone rates increased if usage was less frequent. This increase was specified

within the contract in anticipation of the Postal Service migrating to another contractor. Since there were many delays in transitioning accounts to another contractor, in June 1999 the Postal Service exercised the one-year option and extended the contract with the initial provider.

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**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 telecommunications contractor personnel. We also reviewed contract files. This review was conducted from December 1999 through March 2000 in accordance with the President's Council on Integrity and Efficiency, Quality Standards for Inspections.

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**Observations  
Telecommunications  
Charges**

The Office of Inspector General reviewed monthly charges under the telecommunications contract and determined that the Postal Service paid an average of 16 cents per minute for phone services, with the exception of the calling card, for which charges averaged 38 cents per minute. Personnel from the contractor's Government Services Division responsible for billing and invoicing explained that the calling card charges were higher than other rates because Postal Service personnel used operator assistance in lieu of direct dialing to make the calls. The telecommunications contract limits calling card charges to 18 cents per minute when direct dial is used, but provided higher charges for operator assisted calling card calls. Further review of the contract documents also revealed that calling card users requesting operator-assisted calls were billed at higher tariff rates.

A review of records for the time period April through August 1999, disclosed that Postal Service operator assisted calling card calls averaged a total of almost 59,000 minutes per month. The Postal Service paid approximately \$22,000 per month at the 38 cents rate. However, if direct dial had been used during the same time period, the Postal Service would have paid only about \$9,400 per month (average of 16 cents per minute). Therefore, using direct dialing instead of operator assisted calls on the calling card could have saved the Postal Service almost \$13,000 per month for the same period.

Based on the average number of calling card minutes of 59,000 per month, using direct dial as specified in the contract could save the Postal Service up to \$26,000 for the remaining two months of the contract – March and April 2000. The OIG is aware that some Postal Service personnel may need to use operator assistance, if they are in a remote location.

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**Suggestion**

We offer the following suggestion. The vice president, Information Technology should:

- Inform Postal Service District offices to notify personnel using services under the telecommunications contract to use direct dial whenever possible when making calling card calls.

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**Management's  
Comments**

Management agreed with our assessment of the cost savings realized and stated that they issued a memorandum recommending that all Postal Service personnel using calling cards, utilize direct dial services whenever possible.

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**Evaluation of  
Management's  
Comments**

Management's comments are responsive to our suggestion and should correct the issue identified in this report.

We appreciated the cooperation and courtesies provided by your staff during the review. If you have any questions, please contact Anthony T. Cannarella, director, Facilities Programs at (703) 248-2270, or me at (703) 248-2300.

Sylvia L. Owens  
Assistant Inspector General  
For Revenue Cost/Containment

Attachment

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

## APPENDIX. MANAGEMENT'S COMMENTS

RICHARD D. WEIRICH  
VICE PRESIDENT, INFORMATION TECHNOLOGY



March 15, 2000

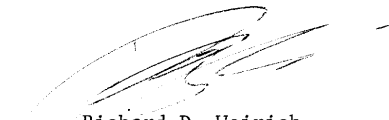
SYLVIA L. OWENS

SUBJECT: Management Advisory Report - Cost Savings Identified in the Use of Calling Cards  
by Postal Service Employees (Report Number FA-MA-00-Draft)

In response to the above advisory report, the following is submitted.

We concur with your assessment of the cost savings realized when direct dial service, as opposed to operator-assisted service, is used when using a postal calling card. As For Your Information (FYI) recommending that all postal service personnel using calling cards, utilize direct dial services whenever possible, was issued March 13.

Please contact Larry Wills at (919) 501-9100 if you would like to discuss this matter further.

  
Richard D. Weirich  
cc: John R. Gunnels  
Thomas A. Nicolosi  
Larry Wills

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**Major Contributors to  
This Report**

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