Department of Veterans Affairs

Office of Inspector General

Review of VA Use of Personal Identification Number Telephone Access Systems

VA can reduce long distance costs by encouraging more use of personal identification number access systems.

Report No. 7R8-G07-067
Date: May 16, 1997

Office of Inspector General
Washington DC 20420

DEPARTMENT OF VETERANS AFFAIRS
Office of Inspector General
Washington DC 20420

Memorandum to:

Under Secretary for Health (10)
Assistant Secretary for Management (004)
Acting Under Secretary for Benefits (20)
Director, National Cemetery System (40)

Review of VA Use of Personal Identification Number Telephone Access Systems

1. The Office of Inspector General performed a review to evaluate the effectiveness of personal identification number (PIN) telephone access systems used by the Department of Veterans Affairs (VA). On their own initiative, VA Medical Centers (VAMCs) Albuquerque, Palo Alto, and Sepulveda[1] installed PIN access systems as a means of reducing telephone costs and improving accountability over telephone usage. With a PIN system, an employee cannot use a VAMC telephone for making long distance calls without first entering a PIN. The PIN allows VAMC management to track telephone usage and to identify persons making unauthorized long distance calls or otherwise misusing VAMC telephones. In Fiscal Year 1996, VAMCs spent about $22.4 million on long distance services (62.0 percent of VA's $36.1 million long distance costs).

2. To evaluate the effectiveness of the PIN systems, we sent questionnaires to the three VAMCs asking them to provide information about the cost of installing the systems and the benefits achieved. We also contacted all 158 other VAMCs to determine how many of them had installed or planned to install PIN systems. The three VAMCs reviewed reported that their PIN systems were successful. System installation costs were minimal, accountability for telephone usage was improved, and long distance expenses were reduced by an average of 68.9 percent, with total annual savings estimated at $934,000. Of the 158 other VAMCs contacted, 148 did not have PIN systems or plans to install them. Because of this, we believe that the Veterans Health Administration (VHA) could significantly reduce long distance costs by making greater use of PIN systems. Based on the experience of the 3 VAMCs reviewed, we estimate that the amount of this cost reduction would be about $10.1 million a year if all 148 VAMCs installed PIN systems.

3. The Veterans Benefits Administration (VBA), the National Cemetery System (NCS), and the VA Central Office staff and support activities may also be able to benefit from installing PIN

[1] VAMC Sepulveda was recently integrated into the Southern California System of Clinics.

systems at their field and headquarters offices. PIN systems may be less feasible for these offices because they are often located in leased space and do not own or fully control their telephone systems. However, given the potential long distance savings, we believe that these offices should explore the feasibility of installing PIN systems.

4. We recommended that VHA management inform VHA facilities about the benefits of PIN access and encourage them to install it in their existing telephone systems and/or to integrate it into plans for new telephone systems or upgrades. Similarly, we recommended that VBA, NCS, and the Office of the Assistant Secretary for Management inform their facilities and offices about PIN systems and encourage them to explore the feasibility of installing PIN systems.

5. The Under Secretary for Health concurred with the recommendations and stated that VHA had begun actions to install PIN systems at all VAMCs, as appropriate. The Under Secretary estimated that the start-up costs for implementing PIN systems would total about $10.8 million, which would offset savings in the first year of operation. We agree that installing PIN systems will have start-up costs, but we believe that these costs will be more than offset by future reductions in long distance expenses. The Assistant Secretary for Management, the Acting Under Secretary for Benefits, and the Director, National Cemetery System all expressed commitment to improving telephone system management and reducing long distance costs. We consider the recommendations resolved and will follow up on the completion of actions planned.

For the Assistant Inspector General for Auditing

(Original signed by:)
DAVID SUMRALL
Director, Seattle Audit Operations Division

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Results and Recommendations

VA Organizations Can Reduce Long Distance Costs by Using Personal Identification Number Telephone Access Systems

VA Medical Centers (VAMCs) Albuquerque, Palo Alto, and Sepulveda installed personal identification number (PIN) access systems to reduce long distance costs and to improve accountability over telephone usage. With a PIN system, management can restrict the use of long distance calls by assigning PINs to employees whose duties require them to make these calls. The three VAMCs reported that they had incurred minimal costs for installing PIN systems, had improved accountability, and had reduced long distance costs by an average of 68.9 percent. Based on the savings reported by the three VAMCs, we estimate that the installation of PIN systems at all VAMCs could reduce long distance costs by about $10.1 million a year.

PIN System Costs Were Low

Although PIN system installation costs varied among the three VAMCs, these costs were generally low:

- Because of the necessity of upgrading the existing telephone switching equipment to accept the PIN system software, VAMC Palo Alto incurred the highest cost, $90,000.

- VAMC Albuquerque had costs totaling $5,500. Costs were lower because the existing telephone switching equipment could accept the PIN software. Most of the $5,500 cost was for purchasing and installing this software.

- VAMC Sepulveda incurred minimal costs because the PIN system was part of the new telephone switching system that the VAMC purchased to replace equipment damaged by the 1994 Northridge earthquake.

All three VAMCs also incurred some minor temporary costs for staff assigned to coordinate the implementation of the PIN systems.

PIN Systems Significantly Reduced Long Distance Costs

All three VAMCs reported significant savings for long distance and other measured rate services immediately after implementing the PIN systems. As the following table shows, monthly long

distance expenses decreased by an average of 68.9 percent, and estimated annual savings could exceed $934,000:

Long Distance Cost Reductions After Installation of PIN Systems

	VAMC Palo Alto	VAMC Sepulveda	VAMC Albuquerque	Total
Monthly Costs Before PIN	$ 61,500	$ 34,300	$ 17,250	$113,050
Monthly Costs After PIN	16,890	12,300	6,000	35,190
Monthly Savings	44,610	22,000	11,250	77,860
Percent Reduction	(72.5%)	(64.1%)	(65.2%)	(68.9%)
Estimated Annual Savings	**$535,320**	**$264,000**	**$135,000**	**$934,320**

PIN Systems Improved Accountability for Long Distance Calls

The three VAMCs found that PIN systems significantly reduced the incidence of unauthorized long distance calls. To illustrate how this misuse of VAMC telephones can become a serious problem, officials at one VAMC told us that before the installation of the PIN system there had been an increase in toll calls to services such as the "Psychic Hotline." There was evidence that some staff made lengthy personal long distance calls, especially during the night shift. In addition, some employees had found a way to leave outside lines open on their VAMC telephones and then to access those lines to make personal calls from their home phones.

There were three reasons why PIN systems improved accountability for long distance calls:

- PIN systems can be programmed to fit the official duty calling needs of each employee. Only employees whose duties require making long distance calls need have access to long distance dialing.

- PIN systems can generate detailed reports on telephone calls made by employees. The reported data can be used to allocate long distance costs to individual users, to identify unofficial telephone calls, to seek reimbursement for unofficial calls, and to serve as a basis for taking disciplinary action when employees misuse VA telephones.

- Employees have an incentive to safeguard their PIN numbers because misuse of a number could be charged to the person assigned the number.

Most VAMCs Do Not Have PIN Systems

To determine how many VAMCs other than the 3 reviewed had PIN systems, we contacted the remaining 158 VAMCs. Of these VAMCs, 10 either had PIN systems or planned to install them, and the remaining 148 did not. The use of PIN systems was not widespread within any of Veterans Health Administration's (VHA) 22 Veterans Integrated Service Networks (VISNs). At most, only two VAMCs within any VISN had PIN systems.

Conclusion -- Telephone Costs Could Be Reduced If More VA Facilities and Activities Installed PIN Systems

At the three VAMCs reviewed, PIN systems significantly reduced long distance expenses. We believe that other VHA facilities and activities could achieve similar cost reductions by installing PIN systems. In Fiscal Year (FY) 1996, the 148 VAMCs without PIN systems spent about $20.3 million on long distance services. Because the 3 VAMCs reviewed reported average savings of 68.9 percent, we believe it is reasonable to estimate that installing PIN systems at the 148 VAMCs could reduce recurring long distance expenses by at least 50 percent, or about $10.1 million a year. Given this potential cost reduction, we believe that VHA should inform all VAMCs and other VHA facilities about the value of PIN systems and should encourage managers to install PIN systems at their facilities.

In addition, the Veterans Benefits Administration (VBA), the National Cemetery System (NCS), and the VA Central Office (VACO) staff and support offices should explore the feasibility of using PIN systems. In FY 1996 these organizations collectively spent about $13.5 million on long distance services (VBA = $9.2 million; NCS = $232,000; VACO = $4.1 million). For these organizations PIN systems may be less feasible because, unlike VAMCs, they do not always own or control their telephone systems. For example, many VBA Regional Offices are located in buildings operated by the General Services Administration, which typically also owns the building telephone systems. However, given the potential for cost reductions, we believe that VBA, NCS, and VACO management should inform their organizations about PIN systems and should encourage managers to install these systems wherever feasible.

For More Information

- The review objectives, scope, and methodology are discussed in Appendix I, page 7.

Recommendation 1

We recommend that the Under Secretary for Health:

a. Inform all VISNs and VAMCs about PIN telephone access systems and about the cost reductions and other benefits achieved by VAMCs that have installed these systems.

b. Encourage VISN and VAMC Directors to install PIN systems at their facilities and/or to integrate PIN systems into plans for new telephone systems or upgrades to existing systems.

The associated monetary benefits for Recommendation 1 are shown in Appendix II, page 8.

Under Secretary for Health Comments

The Under Secretary for Health concurred and stated that VHA is currently taking steps to install PIN systems at each facility as appropriate. He also indicated that there are a number of facilities that are using other systems to effectively manage long distance usage.

Implementation Plan

At the direction of the Under Secretary for Health, VHA is planning to implement the PIN telephone access system at all VAMCs, as appropriate. In addition, VHA estimated that the cost for implementing the PIN system would total about $10.8 million, which would offset savings in the first year of operation. (See Appendix III, pages 9-10, for the full text of the Under Secretary's comments.)

Office of Inspector General Comments

We are encouraged about VHA's commitment to reducing costs and improving telephone system management. We agree that some start-up costs will be incurred to install PIN systems. However, in our opinion, these costs will be more than offset by future reductions in long distance expenses. We consider the recommendations resolved and we will follow up on the completion of planned implementation actions.

Recommendation 2

We recommend that the Assistant Secretary for Management, the Acting Under Secretary for Benefits, and the Director of the National Cemetery System:

a. Inform VACO, VBA, and NCS organizations about the potential for reducing long distance costs by installing PIN systems.

b. Encourage responsible officials to explore the feasibility of installing PIN systems and/or including PIN systems in any planned new telephone systems or upgrades to existing systems.

Assistant Secretary for Management Comments

The Assistant Secretary for Management recognized the need for increased attention to managing telephone usage and stated that the report is an excellent starting point for evaluating management techniques for reducing long distance costs. He provided comments aimed at improving the report observations and providing a more informed basis for decision-making. Office of Management officials noted that while the PIN system had potential for reducing long distance costs, more effective use of the existing TeleManagement System (TMS) could prove as valuable as installing PIN systems. Also, they raised concerns that PIN controls could be circumvented (for example, by capturing PIN numbers from the telephone redial feature). In addition, they commented that factors such as increased management emphasis and long distance rate reductions

may have contributed to the savings reported by VAMCs that had installed PIN systems. (See Appendix IV, page 11, for the Assistant Secretary's comments.)

Acting Under Secretary for Benefits Comments

The Acting Under Secretary for Benefits concurred with the recommendation. He stated that in most cases, VBA's existing telephone systems do not have the technology to implement PIN systems. However, VBA staff will consider PIN access as they conduct technical analyses for future telephone systems and will continue to look for ways to improve telecommunications resource management. (See Appendix V, page 12, for the Acting Under Secretary's comments.)

Director, National Cemetery System

The Director, National Cemetery System agreed with the recommendation to install the PIN system in VA installations and stated that the results of the PIN access system at VAMCs seem impressive. However, he did not believe that PIN access would be feasible for NCS facilities at this time because all these facilities together spend only about $7,000 a month on long distance calls. (See Appendix VI, page 13, for the Director's comments.)

Office of Inspector General Comments

We agree with the Assistant Secretary for Management that PIN access is not the only way to reduce long distance costs and that VAMCs should look at alternatives. However, VAMC staff who have experienced various telephone management systems believe that the PIN system is better because it (1) increases accountability over telephone usage, (2) provides more timely reporting, (3) deters abuse instead of relying only on detection, and (4) requires less time to administer than other systems. The major advantage of PIN access over TMS is personal accountability. TMS can identify the telephone from which a call was made, but it cannot link the call to a particular person. With PIN access, each long distance call can be associated with the PIN number assigned to an individual. In regard to control over PIN numbers, VAMC Albuquerque staff stated that with their system PIN numbers cannot be captured from the telephone redial feature. Moreover, they have experienced only minor problems with issuing and controlling PIN numbers.

On the issue of whether other factors contributed to long distance cost reductions, VAMC staff attributed the reduction in long distance costs primarily to implementing PIN systems. VAMC Albuquerque staff provided us with documentation to show that the number of long distance calls and the length of calls decreased significantly after the PIN system was installed in June 1993. To illustrate, in January 1993 the number of long distance calls totaled 9,429 versus 4,361 for June 1993, a 53.7 percent decrease. Similarly, the number of calls lasting more than 30 minutes totaled 2,715 in January 1993 versus 681 in June 1993.

In response to the VBA and NCS comments, as our report suggests, PIN access may not be feasible for certain VA offices. We are encouraged that both VBA and NCS are committed to looking for ways to improve telephone system management and that VBA will consider PIN

access for future telephone systems. The VBA, NCS, and Assistant Secretary for Management comments were responsive to the recommendation and we consider all review issues resolved.

Objectives, Scope, and Methodology

Objectives

The purpose of the review was to evaluate the effectiveness of PIN telephone access systems at VAMCs. Specific review objectives were to determine: (1) whether VAMCs that had installed PIN systems had achieved reductions in long distance costs, and (2) how many VAMCs had installed or planned to install PIN systems.

Scope and Methodology

To evaluate the effectiveness of PIN systems, we sent questionnaires to VAMCs Palo Alto, Albuquerque, and Sepulveda asking them to provide information about (1) the cost of implementing the systems, (2) the reasons for implementing the systems, and (3) the amount of savings realized. As appropriate, we followed up the questionnaires by discussing PIN systems with the telecommunications officials at the three VAMCs. We also contacted appropriate staff at all 158 other VAMCs to determine how many of them had installed or planned to install PIN systems.

We also discussed PIN systems with responsible officials of VHA, VBA, NCS, and the Office of the Assistant Secretary for Information Management. According to these officials, as of January 1997, none of their offices had undertaken or planned to undertake initiatives to publicize PIN systems or to encourage their use. Our review was conducted in accordance with government auditing standards for qualifications, independence, and due professional care.

Monetary Benefits in Accordance with IG Act Amendments

Report Title: Review of VA Use of Personal Identification Number Telephone Access Systems

Project Number: 7R8-100

Recommendation Number	Category/Explanation of Benefits	Office of Inspector General Estimate: Better Use of Funds	Office of Inspector General Estimate: Questioned Costs
1a. and b.	At the three VAMCs reviewed, the use of PIN systems reduced long distance costs by an average of 68.9 percent. There were 148 VAMCs that did not have PIN systems. In FY 1996 the 148 VAMCs spent about $20.3 million on long distance services. In our opinion, it is reasonable to estimate that the 148 VAMCs could reduce their annual recurring long distance costs by at least 50 percent ($10.1 million) by installing PIN systems.	$10.1 million	

UNDER SECRETARY FOR HEALTH COMMENTS

Department of Veterans Affairs

Memorandum

Date: April 11, 1997

From: Under Secretary for Health (10/105E)

Subj: OIG Draft Report, *Review of VA Use of Personal Identification Number (PIN) Telephone Access* Systems, Project No. 7R8-100

To: Assistant Inspector General for Auditing (52)

1. The draft report was reviewed by the appropriate Veterans Health Administration (VHA) program offices. At the Network Director's meeting, held March 18 - 20, 1997, in Kansas City, MO, I discussed the use of the PIN telephone access system with the Network Directors. We are currently taking steps to ensure that telephone PIN systems are installed at each facility as appropriate. There are a number of facilities that are currently using other systems to restrict long distance usage which are also very effective.

2. We estimate that we will need to install necessary hardware and software at 106 hospitals at a cost of approximately $9.01 million. Another approximately $1.83 million will be needed to activate the software at 61 other facilities. To implement the telephone PIN systems as efficiently as possible will require 1 FTEE to coordinate and monitor the installation systemwide. We also estimate that each hospital will need to dedicate 1 FTEE to the project for the first year, with .5 FTEE required in future years to administer billing and the system. If the savings you estimate in your report prove accurate, then the cost to install the PIN system will be virtually offset by those savings in the first year of operation. We hope to complete installation of the PIN system at all hospitals by September 30, 1998.

3. Attached is the action plan for the recommendation. Thank you for the opportunity to review this report. If you have any questions, please contact Paul C. Gibert, Jr., Director, Reports Review and Analysis Service (105E), Office of Policy, Planning and Performance, at 273-8355.

(Original signed by)
Kenneth W. Kizer, M.D., M.P.H.

Attachment

VA Form 2105
Mar 1989

UNDER SECRETARY FOR HEALTH COMMENTS

Action Plan in Response to OIG/GAO/MI Audits/Program Evaluations/Reviews

Name of Report: *Review of VA Use of Personal Identification Number (PIN) Telephone Access Systems*
Project No.: 7R8-100
Date of Report: Undated draft report

Recommendations/ Actions	Status	Completion Date

Recommendation 1: We recommend that the Under Secretary for Health:

a. Inform all VISNs and VAMCs about PIN telephone access systems and about the cost reductions and other benefits achieved by VAMCs that have installed these systems.

b. Encourage VISN and VAMC directors to install PIN systems at their facilities and/or to integrate PIN systems into plans for new telephone systems or upgrades to existing systems.

Concur

The Under Secretary for Health discussed the OIG report with all Network Directors at the Network Directors meeting, held March 18 - 20, 1997, in Kansas City, MO. At the direction of the USH VHA is planning to implement the PIN telephone access system at all hospitals as appropriate. Estimated costs to accomplish this are approximately $9.01 million for installation of necessary hardware and software at 106 hospitals and $1.83 million to activate software at 61 other hospitals. To expedite installation, VHA will dedicate 1 FTEE to coordinate and monitor installation throughout the system. We estimate that each facility will need to dedicate 1 FTEE to the project for the first year, with .5 FTEE required thereafter to provide administrative support the system.

	In process	9/ 30/ 98

ASSISTANT SECRETARY FOR MANAGEMENT COMMENTS

Department of Veterans Affairs

Memorandum

Date: April 11, 1997

From: Assistant Secretary for Management (004)

Subj: Draft Report: Review of VA Use of Personal Identification Number Telephone Access Systems

To: Assistant Inspector General for Auditing (52)

1. Thank you for the opportunity to comment on the draft IG study concerning use of Personal Identification Numbers (PIN) with VA telephone systems. Our comments are intended to improve the study and provide a more informed basis for decision-making. Because of the cost and effort to retrofit VA telephone systems with PIN capability, we believe the concerns that are contained in the attachment must be addressed before we could concur with this action.

2. If you have any questions, or require additional information, please call me at 273-5589, or have a member of your staff contact Mr. Kenneth H. Hoffmann, Director, IRM Policy and Standards Service (045A3), at 273-8129.

(Original signed by N. Harris for:)
D. Mark Catlett

Attachment

VA Form 2105
Mar 1989

OFFICE OF INSPECTOR GENERAL COMMENT: The Assistant Secretary's comments included an attachment prepared by the Information Resources Management Policy and Standards Service. The major points made in this attachment are addressed in the comments on pages 4 to 6.

ASSISTANT SECRETARY FOR MANAGEMENT COMMENTS

ACTING UNDER SECRETARY FOR BENEFITS COMMENTS

Department of Veterans Affairs

Memorandum

Date: April 8, 1997

From: Acting Under Secretary for Benefits (20)

Subj: Draft Report, Review of VA Use of Personal Identification Number Telephone Access Systems (Project 7R8-100)

To: Assistant Inspector General for Auditing (52)

1. In response to your memorandum dated March 7, 1997, the Veterans Benefits Administration (VBA) has reviewed your draft report evaluating the effective use of personal identification numbers (PIN) telephone access and offer the following comments:

a. In most cases, VBA's existing base of telephone systems do not have the current technology required to implement PIN systems for telephone access.

b. VBA will consider this approach as we conduct technical analyses for future systems and continue to look for ways to improve telecommunications resource management.

2. The VBA Telecommunications Staff has been engaged in discussions with the Audit Staff throughout this evaluation. We appreciate the early notice of potential improvements to be realized by using PIN systems in telecommunications resource management.

3. If you have any questions regarding this, please contact Mr. Richard Culp on 273-6842.

(Original signed by Patricia Grysavage for:)
Stephen L. Lemons

VA Form 2105
Mar 1989

DIRECTOR, NATIONAL CEMETERY SYSTEM COMMENTS

Department of Veterans Affairs

Memorandum

Date: April 15, 1997

From: Director, National Cemetery System (40)

Subj: Review of VA use of Personal Identification Number Telephone Access System

To: Assistant Inspector General for Auditing (52)

1. The National Cemetery System comprises of 114 VA National Cemeteries throughout the United States. All of our cemeteries utilize Virtual on-net (VON) access to the FTS 2000 long distance network. This means that all of our cemeteries use their local telephone company to connect to the FTS 2000 network. During FY 96, the NCS cemeteries' long distance phone calls amounted to about $7,000 per month.

2. The results of the use of the Personal Identification Number (PIN) Telephone Access System in the VA Medical Centers seem impressive. However, in order to implement this PIN telephone system, NCS would have to install VA-owned telephone switches in all of our cemeteries. According to the Office of Telecommunications Support Service (045B2), the cost for having these switches installed in all of our cemeteries to accept the PIN system software would amount to more than we would save in long distance phone calls.

3. We concur with the recommendation of installing the PIN system in VA installations. However, after exploring the cost involved and the savings we have decided not to install the PIN system in our cemeteries at this time.

(Original signed by:)
JERRY W. BOWEN

VA Form 2105
Mar 1989

Final Report Distribution

VA Distribution

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Assistant Secretary for Management (004)
Acting Under Secretary for Benefits (20A11)
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