State of Montana
Office of the Legislative Auditor

Limited Scope Performance Audit

CONTROLS OVER USE OF STATE TELEPHONES

This report contains recommendations concerning controls over the use of the state telephone system. These recommendations include:

- Establish and clarify policies and procedures regarding personal long distance use of the state telephone system.
- Enact legislation to designate a state agency to periodically review use of state telephones.

Direct comments/inquiries to:
Office of the Legislative Auditor
Room 135, State Capitol
Helena, Montana 59620
PERFORMANCE AUDITS

Performance audits conducted by the Office of the Legislative Auditor are designed to assess state government operations. From the audit work, a determination is made as to whether agencies and programs are accomplishing their purposes, and whether they can do so with greater efficiency and economy. In performing the audit work, the audit staff uses audit standards set forth by the United States General Accounting Office.

Members of the performance audit staff hold degrees in disciplines appropriate to the audit process. Areas of expertise include business and public administration, statistics, economics, computer science, and engineering.

Performance audits are performed at the request of the Legislative Audit Committee which is a bicameral and bipartisan standing committee of the Montana Legislature. The committee consists of four members of the Senate and four members of the House of Representatives.

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PERFORMANCE AUDIT REPORT

CONTROLS OVER USE OF STATE TELEPHONES

November 1986

Report Number 87P-32

Members of the audit staff involved in this audit were: Dave Gould, supervisor; Martha Vogt, staff auditor; Rob Spear, staff auditor; and Kathy Berg, staff auditor. Additional information on the audit can be obtained by contacting the Office of the Legislative Auditor (406) 444-3122.
The Legislative Audit Committee
of the Montana Legislature:

We have conducted a limited scope performance audit of state
cy agency controls over the personal use of the state telephone system.
This report contains recommendations for establishing policies and
procedures and improving controls related to the use of the state
telephone system.

We wish to express our appreciation to the staff of the
Department of Administration and all state agencies visited during
this audit.

Respectfully submitted,

[Signature]
Scott A. Seacat
Legislative Auditor
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ADMINISTRATIVE OFFICIALS

DEPARTMENT OF ADMINISTRATION

Ellen Feaver, Director
Dave Ashley, Deputy Director

INFORMATION SERVICES DIVISION

Mike Trevor, Administrator

TELECOMMUNICATIONS BUREAU

Tony Herbert, Bureau Chief
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CHAPTER I

INTRODUCTION

A limited scope performance audit of controls over the use of the state telephone system was requested by the Legislative Audit Committee. This report summarizes our review of current state agency policies, procedures and controls regarding the use of the state telephone system.

OBJECTIVES OF THE AUDIT

The five main objectives of this audit were:

1. to identify current policies and procedures regarding the use of state telephones for personal long distance calls;
2. to identify current state agency controls regarding the use of state telephones;
3. to test the adequacy of these controls;
4. to develop necessary recommendations to correct any deficiencies identified; and
5. to follow up as necessary on specific problems identified during our tests of individual agency controls.

SCOPE OF AUDIT

During the audit we documented and reviewed the policies, procedures, and controls over telephone use at 48 state agencies. References to state agencies in this report mean departments and other offices in Helena, agency offices outside Helena, the units of the Montana University System, vocational-technical centers, the Supreme Court, legislative branch support agencies, the Senate and the House of Representatives. We interviewed agency personnel and reviewed control-related information. As part of our audit work we
examined long distance telephone call listings at each agency for the following:

1. evidence of agency review of telephone calls;
2. repetitive calls to the same number;
3. after hours calls; and
4. calls costing over $10 per call.

We did not review agency personnel use of the state telephone system for local personal calls. Local calling is not charged to agencies on a per call basis. The cost of local calls is included in the flat rate billed monthly for each telephone. Controls over local calling rely to a large extent on levels of supervision over employees and time management practices.
CHAPTER II

BACKGROUND

PREVIOUS STATE TELEPHONE SYSTEM

Prior to December 1983, state telephone service was leased entirely from Mountain Bell. Agencies received bills from the Department of Administration with a summary listing of long distance calls made from each agency on a telephone line basis. No specific accounting for calls on a telephone-by-telephone basis was available.

CURRENT TELEPHONE SYSTEM

The current state telephone system was implemented in December of 1983. The system provides telephone equipment and service to most state agencies including those in Helena and at various locations around the state. The Telecommunications Bureau of the Department of Administration is the administering agency for the current state telephone system. The majority of equipment making up the state telephone system is owned by the state and operated under maintenance contracts with various private vendors.

Billing For System Costs

The Telecommunications Bureau is funded through user charges. To recover the costs of providing equipment and services, the bureau charges state agencies a monthly fee for equipment, and charges back the allocated cost of long distance calls. The equipment charges pay for the telephone, switching equipment, telephone system maintenance, local access and network management systems and
software. These costs are allocated to the various agencies on a per telephone basis.

The long distance charges pay for the lease of long distance lines and service from the operating companies and the purchase and maintenance of network control and accounting systems. The charges for long distance usage are allocated to state agencies on a call-by-call basis, utilizing a time and distance formula and a discount applied against telephone company tariffed long distance rates.

**Management Information**

The current system provides management information that allows control over the use of the state telephone system. The following information is generally available regarding long distance calls:

1. number (extension) from which calls were placed;
2. number and location called;
3. date and time at which call was placed;
4. time span of each call; and
5. cost associated with each call.

The current system also provides total number of local calls made from individual telephones as well as the average and total time for all such calls.

**Telephone Service Levels**

The present telephone system has the capability of allowing most agencies to set five different service levels for each of the individual telephones in that agency. Each of the following levels includes any lower level capabilities:

- **Level 0** - four digit capability only (limited to state offices within each locality)
Level 1 - capability to dial 9 for local calls

Level 2 - in-state calls

Level 3 - long distance calls in 48 continental states on WATS

Level 4 - Direct Distance Dialing + local operator access

The purpose of this capability is to limit access levels to those consistent with needs of employees using individual telephones. For example, conference room telephones with limited physical control could be maintained at level 1 to prevent improper use.

Current System Usage Levels

During fiscal year 1984-85 there were 2,408,250 long distance calls placed on the state telephone system with an average length of 4.08 minutes with an average cost per call of $1.19. During fiscal year 1985-86 there were 2,344,867 long distance calls placed with an average length of 3.99 minutes and an average cost per call of $1.16. The following graphs show monthly use of the state telephone system in number of calls and number of hours since July 1984. This information includes long distance calls on the state telephone system, but excludes statistics on state agency Discount Toll Routing (DTR) calls, which are not made on the state telephone system.
CALLS PER MONTH
Fiscal Years 1984-5 thru 1986-7 to date

Source: Compiled by the Office of the Legislative Auditor from Telecommunications Bureau records

Illustration 1

HOURS OF CALLS PER MONTH
Fiscal Years 1984-5 thru 1986-7 to date

Source: Compiled by the Office of the Legislative Auditor from Telecommunications Bureau records

Illustration 2
Current System Expenses

The following is a summary of system expenses for fiscal years 1983-84, 1984-85, and 1985-86.

**TELECOMMUNICATIONS EXPENDITURES**
Fiscal Years 1983-84 through 1985-86

<table>
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<tr>
<th>Expenditure Category</th>
<th>1983-84</th>
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<td>Local Service &amp; Equip</td>
<td>$1,104,533</td>
<td>$1,667,818</td>
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<tr>
<td>Long Distance</td>
<td>1,379,655</td>
<td>1,519,781</td>
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<td>Telephone Maintenance</td>
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<td>55,898</td>
<td>$320,834</td>
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<td>Leased Line Ded. Serv.</td>
<td>702,262</td>
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<td>STS Usage</td>
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<td>57,125</td>
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<td>One-time charges</td>
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<td>Equip. Charge D of A</td>
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<td>*</td>
<td>589,486</td>
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<tr>
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<td>Telephone A/M/C</td>
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<td>328,026</td>
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<td>Off Premise Extensions</td>
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<td>Local Voice Circuits</td>
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<td>Voice Cir. A/M/C</td>
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<td>Telephone Directories</td>
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$3,439,661 $4,327,372 $5,055,602

* different expenditure categories where instituted starting in fiscal year 1985-86

1/ includes $742,770 of budgeted expenditures which were paid by University System units during previous fiscal years

2/ includes $532,242 of budgeted expenditures which were paid by other agencies of government during previous fiscal years

Source: Telecommunications Bureau

Illustration 3
CURRENT STATUTORY AND ADMINISTRATIVE RULE REQUIREMENTS

Section 2-2-121, MCA, sets forth rules of conduct for state officers and state employees and provides in part:

"A state officer or a state employee may not: (a) use state time, facilities, or equipment for his private business purposes; ..."

There is no mention of the personal non-business use of state time or equipment. Several statutes give the Department of Administration general authority over the state telephone system and its use.

Section 2-17-302(1a) MCA states:

"The department of administration shall: (a) provide communications services to all agencies of state government....."

Section 2-17-302(3) MCA states:

"The department shall adopt adequate rules for the use of any communications equipment and facilities now in use or hereafter made available."

The Department of Administration adopted A.R.M. Section 2.13.102 which provides:

"Non-governmental use of state telephone facilities prohibited. (1) The facilities of the state's telephone network are provided for use by governmental agencies only. Non-governmental connected use of state telephone facilities is prohibited."

The Department of Administration has also issued Chapter 1-1100 of the Montana Operations Manual (MOM), which includes the following relevant sections:

Section 1-1103.00 - "Each agency is responsible for the enforcement of the following policies, instructions and controls related to telephone use, and for so informing their personnel. Agencies are encouraged to develop and promulgate telecommunications policies appropriate to their own needs."
Section 1-1103.01 - "State telephones are provided for the conduct of state business, and are not to be used for personal calling. Each agency is responsible for the appropriate enforcement of this policy."

The state telephone directory published by the Department of Administration also includes the following note in its general information section:

"STATE TELEPHONE NETWORK (STN) USAGE. State telephones and the State Telephone Network (STN) are provided for the conduct of state business during regular state business hours. Agencies will formulate and adopt policies to restrict the use of state telephones to state business only."

Rules adopted by the Department of Administration under the general authority in the above statutes apply to all state agencies, including elected officials, university units and the Legislature.

**PENALTIES**

There are no specific sanctions or penalties for misuse of the state telephone system. The Code of Ethics in Title 2, chapter 2, part 1, MCA, appears to make a state employee or officer liable for the cost of personal business use of the state telephone system, but there are no specific administrative sanctions. Montana criminal statutes provide in section 45-6-305, MCA:

"Theft of labor or use of property. (1) A person commits the offense of theft when he obtains the temporary use of property, labor, or services of another which are available only for hire, by means of threat or deception or knowing that such use is without the consent of the person providing the property, labor or services. (2) A person convicted of theft of labor or services or use of property shall be fined not to exceed $500 or be imprisoned in the county jail for a term not to exceed 6 months, or both."

Use of state telephones for "personal" purposes without the consent of the state could constitute a violation of the above criminal
statute. However, to constitute a criminal violation there must be an intent to knowingly violate the law. Under current state policy and procedures, intent may be difficult to prove.
CHAPTER III

CURRENT STATE AGENCY POLICIES AND PROCEDURES

Our performance audit determined state agencies currently have varying policies and procedures regarding the use of the state telephone system. Of the 48 agencies we visited, 24 had formal written policies and procedures and 21 had none. Three other agencies had some sections (divisions, bureaus, units, etc.) with formal policies and procedures and some sections in the same agency without.

Besides formal policies and procedures we determined if there were informal policies and procedures. Of the 48 agencies visited, 20 had informal policies and procedures and 15 had none. Thirteen others had some sections with informal procedures and policies and some without. These policies and procedures vary between individual state agencies and even between sections within the agencies.

POLICY ON PERSONAL USE OF STATE TELEPHONES

State agencies have taken one of two general approaches regarding personal long distance use of state telephones. Twenty-five agencies have policies that state telephones are to be used only for state business with no personal long distance telephone calls authorized. Thirteen other agencies allow employees to make personal long distance calls on the state system as long as employees reimburse the state for costs related to their use of the system. Ten other agencies have varied policies and procedures. Present requirements for state agencies are that state telephones are provided for the conduct of state business and are not to be
used for personal calling. The Montana University System units provide that the state telephone system can be used for personal use as long as there is reimbursement for the calls made. The elected officials' offices have varied policies regarding personal use of the state telephone system - some allow personal use of the state system with reimbursement while others do not. The Supreme Court has a policy against personal long distance calls on the state telephone system. Legislative support agencies including the administrative and clerical staff of the House of Representatives and Senate have policies against personal long distance use of state telephones. Neither the Senate nor House of Representatives have policies and procedures regarding personal long distance use of state telephones.

PERSONAL USE OF AGENCY TELEPHONE CREDIT CARDS

State agencies have also taken varying approaches as to whether personnel are allowed to use agency telephone credit cards to call home while they are on the road. Sixteen agencies do not allow staff to use agency credit cards for other than state business calls. We identified eleven other agencies which allow their employees to call their families using agency credit cards without reimbursement. Some allow this use only to notify families of their location and changes in plans, while others allow personnel to periodically visit with their families.

Three agencies allow their employees to use agency credit cards for personal use, but require reimbursement for costs. Twelve
agencies had varying policies within their individual sections. Six agencies do not issue state credit cards.

CONTROLS OVER STATE TELEPHONE USAGE

Our review determined that adequate management information is available for documenting state telephone usage. The adequacy of controls is dependent on how each governmental unit uses this management information.

Adequacy of Controls

All visited agencies except the Senate and House of Representatives have a process to review telephone call listings before telephone bills are approved for payment. The review process in 38 agencies consists of the following procedures in varying degrees and order:

1. individual staff members review call listings for their own state telephone to verify calls made and identify discrepancies for follow-up or personal calls for which the state is to be reimbursed;

2. supervisory staff review telephone listings to identify any improper or unusual telephone usage which is followed up with the applicable employee;

3. employees reimburse the state for personal call charges; and

4. telephone bills are forwarded to the accounting staff for payment.

The other eight agencies with a review process do not circulate telephone call listings to individual staff members. There is generally no review of telephone call listings for top level management since in most cases they are the last level of review.

After documenting each agency's explained review process, we reviewed telephone call listings for two months for selected
governmental units to test the adequacy of controls by verifying any documentation of the review process.

In 26 of the visited agencies, there was documentation of the explained review process. For these 26 agencies, we concluded that controls generally are adequate for controlling state telephone usage. Documentation of the review process was also available to a varying degree at 8 other agencies.

In 14 of the visited agencies, there was no apparent documentation of the explained review process. As a result, we cannot conclude on the adequacy of controls in these agencies. Neither the House of Representatives or Senate has a formal scheduled review process for telephone calls made from telephones provided to the Legislature. There have been limited reviews of telephone call listings when telephone costs were approaching budgeted levels. Telephone call listings for the latter part of each regular session and during special sessions are not reviewed. Generally there are very minimal controls over the use of telephones provided to the Legislature.
CHAPTER IV

CONCLUSIONS AND RECOMMENDATIONS

At present there are varying policies and procedures within state agencies regarding the use of the state telephone system. This is because state governmental agencies have had the latitude to enforce their own interpretations of current statutes, administrative rules, and state policy. Most state agencies have formulated review procedures based upon their own interpretations of "authorized telephone usage".

There is a need for clear, consistent guidelines for all state agencies and personnel regarding the use of the state telephone system. These guidelines should be consistent with statutory requirements relating to the use of government services and property and the public trust. The guidelines should also be reasonable enough as to not interfere with the effectiveness and efficiency of government operations.

The following sections relate our general comments on current policies, procedures, and controls over the use of the state telephone system.

PERSONAL LONG DISTANCE USE OF THE STATE TELEPHONE SYSTEM

The cost to the state of personal use of state telephones is not known at this time. Because of the limited scope of this audit, we did not sample long distance calls to attempt to estimate personal use. Our review of telephone call listings indicates that in some governmental units the reimbursement for personal calls is a significant portion of the long distance telephone bill for a
sampled month. This in itself is an indication of personal use; however, for those personnel who do not reimburse we cannot accurately estimate the cost or amount of time spent on long distance calls.

During our testing of agency controls we looked for indications of personal use. We examined telephone call listings for repetitive calling to the same number, calls being made after regular business hours, and all calls costing more than $10. We found, based upon our review of these areas in 48 government agencies:

1. twenty-two agencies had calls which indicate repetitive calls to the same numbers;
2. fifteen agencies had calls being made after regular business hours; and
3. thirty-nine agencies had calls over $10.

These calls are not necessarily personal calls, however the state agency review process as currently implemented will not identify all personal calls. We would have to sample all telephone calls on the system and determine if the call was business or personal to estimate personal telephone use. The determination process would be inconclusive, since a call to the number and/or an identification of the party called does not necessarily result in evidence of a personal or business call.

WHAT ALTERNATIVES ARE AVAILABLE?

There are several alternatives to the current practice of allowing personal long distance use of the state telephone system with required reimbursement.
Personal Calling Cards

The current state telephone system can accommodate use of telephone company personal calling cards for long distance calls. State employees do not need to use the state system and reimburse the state. By using personal calling cards, calls would be billed by the telephone company to the applicable employee and the administrative process of reimbursement will be eliminated. The cost of calling card calls would be higher because employees would no longer receive the state's discount on long distance calls, and would also act as a deterrent to spending an inordinate amount of time on the telephone. Using a calling card would require the use of an outside line (off the system). Since we do not know the extent of personal long distance calling, we cannot estimate the effect on the size of the current telephone system.

System Capabilities

While most of the system capabilities were explained by the Department of Administration when the new system was implemented, there is a need to keep state agencies informed as to these capabilities. An example would be in the area of access levels available on most state telephones. This is a tool that state agencies could use to prevent unauthorized use of the state telephone system by personnel not needing certain access capabilities. For example, telephones for those staff not needing long distance capability could be set at lower service levels thereby limiting the potential for unauthorized long distance
personal calls. More specifically, the placement of telephones in various conference rooms makes physical control over the use of these telephones a problem. One type of control that could be implemented to prevent unauthorized use of the state telephone system would be to lower the access level of these telephones so they could be used only for network and local calls.

The use of authorization codes and Direct Inward System Access (DISA) are other capabilities that agencies should be made aware of. State telephones can be set to lower service levels with authorized personnel given authorization codes that will allow higher level use of those same telephones with the input of the proper authorization code. The DISA capability allows state employee use of the state telephone system while not calling directly from a state telephone in certain Montana cities.

CONCLUSIONS AND RECOMMENDATIONS:

Policies

Based upon our review of telephone use controls at individual agencies, it appears that several policy issues need to be addressed. The first is providing a consistent and usable definition of authorized use of the state telephone system.

RECOMMENDATION #1

WE RECOMMEND THE DEPARTMENT OF ADMINISTRATION ESTABLISH AND CLARIFY, AS NECESSARY, POLICIES AND PROCEDURES THAT ADDRESS THE USE OF THE STATE TELEPHONE SYSTEM FOR PERSONAL LONG DISTANCE TELEPHONE CALLS.
Personal Use of State Agency Credit Cards

State agencies presently have varied policies and procedures regarding employee use of agency credit cards to call home while the employees are working in the field away from their home office. Some agencies allow their staff to periodically call their families while on the road, while others only allow such calls to inform families of whereabouts and changes in plans.

RECOMMENDATION #2

WE RECOMMEND THAT THE DEPARTMENT OF ADMINISTRATION ESTABLISH POLICIES AND PROCEDURES REGARDING EMPLOYEE USE OF STATE AGENCY TELEPHONE CREDIT CARDS.

User Information

During our review we determined that 15 agencies apparently have all of their telephones set at one service level: usually level three - nationwide calling or level four - Direct Distance Dialing. The capability to set various service levels on telephones throughout agencies can be used to control use of the state telephone system. Agencies could establish varied service levels for their telephones and thereby limit potential unauthorized use of the state system.

The use of authorization codes and Direct Inward System Access (DISA) are other capabilities that agencies should be made aware of. Some state telephones could be set to lower service levels with
authorized personnel given authorization codes that will allow
higher service level use of the same telephones.

RECOMMENDATION #3

WE RECOMMEND THE DEPARTMENT OF ADMINISTRATION CONTINUE TO KEEP
STATE AGENCIES INFORMED AS TO THE CAPABILITIES OF THE STATE
TELEPHONE SYSTEM, AND ACTIVELY ASSIST ALL STATE AGENCIES IN
ESTABLISHING APPROPRIATE SERVICE LEVELS FOR TELEPHONES.

Review Procedures

Present state agency control review procedures will generally
identify after hours calls, repeat calls to the same numbers, and
lengthy high cost calls being made by individual state employees.
Some of these calls may be personal calls, but the present review
process does not readily identify all personal calls because most
agencies are not following up specifically on calls being made by
state employees.

As a control against personal long distance telephone calls, a
review agency could be designated that may periodically select a
random sample of telephone calls for follow-up to determine whether
or not the selected calls were state business or personal calls.
The fact that this type of independent review process was in place,
and state agencies and employees were aware of it would act as a
deterrent against improper use of the state telephone system.

RECOMMENDATION #4

WE RECOMMEND THAT LEGISLATION BE ENACTED DESIGNATING A STATE
AGENCY WHICH MAY PERIODICALLY REVIEW USE OF STATE TELEPHONES.
AGENCY RESPONSE
November 5, 1986

Scott Seacat, Legislative Auditor
Office of the Legislative Auditor
Room 135, State Capitol
Helena, Mt. 59620

Dear Scott:

Enclosed is our response to the recommendations in your audit regarding agency controls over the use of state telephones. We have not provided a response to audit recommendation #4 since it was not directed to this department.

If you have any questions please call.

Sincerely,

Ellen Feaver
Director

encl.
RECOMMENDATION #1

WE RECOMMEND THE DEPARTMENT OF ADMINISTRATION ESTABLISH AND CLARIFY, AS NECESSARY, POLICIES AND PROCEDURES THAT ADDRESS THE USE OF THE STATE TELEPHONE SYSTEM FOR PERSONAL LONG DISTANCE TELEPHONE CALLS.

RESPONSE

The Department concurs with the recommendation. The department will establish more specific policies and procedures regarding personal long distance telephone use. Draft policies will be prepared and provided to all department heads for comment. Rules will then be prepared, noticed and codified in the Administrative Rules of Montana. The anticipated implementation date of new rules is February 28, 1987. Appropriate changes to the Montana Operations Manual will be made after new rules are established.

RECOMMENDATION #2

WE RECOMMEND THAT THE DEPARTMENT OF ADMINISTRATION ESTABLISH POLICIES AND PROCEDURES REGARDING EMPLOYEE USE OF STATE AGENCY TELEPHONE CREDIT CARDS.

RESPONSE

The Department concurs with the recommendation. The Department will establish new policies and procedures regarding employee use of state agency telephone credit cards through the same process and schedule defined in its response to recommendation #1.

RECOMMENDATION #3

WE RECOMMEND THE DEPARTMENT OF ADMINISTRATION CONTINUE TO KEEP STATE AGENCIES INFORMED AS TO THE CAPABILITIES OF THE STATE TELEPHONE SYSTEM, AND ACTIVELY ASSIST ALL STATE AGENCIES IN ESTABLISHING APPROPRIATE SERVICE LEVELS FOR TELEPHONES.

RESPONSE

The Department concurs with the recommendation. The Department will continue to inform and assist agencies regarding the capabilities of the telephone systems. Specifically the department shall:
A. Meet with the management of each agency to review the capabilities of their telephone systems by March 31, 1987.

B. Annually meet with the management of each agency to review the capabilities of their telephone systems.

C. Each month offer a training class for agency personnel regarding the use of state telephones (this training was previously provided on an as requested basis).

D. Implement the results of a telephone user survey currently in process by April 30, 1987. This survey will query telephone users regarding their use of the systems, their satisfaction with the system, their need for additional training, the use of systems features and their assessment of system maintenance and service. Surveys are currently scheduled to be completed and received by the department by February 15, 1987.