



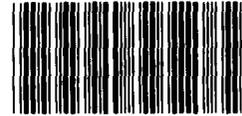
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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

HUMAN RESOURCES
DIVISION

OCTOBER 28, 1981

B-202969



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The Honorable Richard S. Schweiker
The Secretary of Health and Human Services

Dear Mr. Secretary:

Subject: Better Management Needed in Social Security
Administration's Toll-Free Telephone
Service to the Public (MASAD-82-3)

The Social Security Administration (SSA) spent an estimated \$9.5 million providing toll-free, long-distance telephone service to the public during fiscal year 1980. This cost resulted from two sources.

--SSA's approximately 1,400 local offices accepting collect, long-distance calls from the public.

--Some of the 32 Teleservice Centers using Wide Area Telecommunications Service to provide toll-free, long-distance telephone service to the public.

We found that better management of SSA's toll-free service will reduce costs because collect calls are an expensive way to provide toll-free service, and alternative telephone services require cost analyses to maintain the most economic configuration. In addition, SSA's management lacks central direction and its management philosophy limits cost-effective alternatives. This need for cost-effective management has become even more important because of (1) SSA's efforts to reduce the cost of its programs, (2) major price increases in long-distance telephone services, and (3) SSA's consideration of expanding the Teleservice Center concept nationwide.

Management could be improved by establishing an ongoing and organized effort to review the cost effectiveness and need for toll-free services. Ideally, this effort should be centrally managed by specialists with the capability and authority to make the needed decisions.

Accordingly, we recommend that you direct the Commissioner of Social Security to take the following actions.

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- Assign the Communications Systems Branch central management responsibility for ensuring that toll-free telephone services configurations are the most cost-effective method to the Government.
- Task the Communications Systems Branch to conduct the annual economic analysis of toll-free telephone services required by Federal Property Management Regulation 101-37.312.
- Instruct SSA's offices to discontinue promoting public use of collect calls for contacting its offices, unless extenuating circumstances exist.

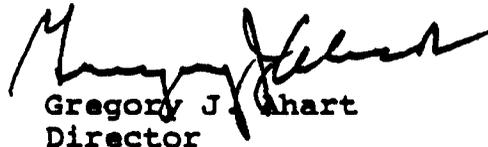
Enclosure I contains details which support the above conclusions and recommendations and describes the objectives, scope, and methodology used in performing this review.

SSA management officials generally agreed with these findings and conclusions and have started or planned actions toward implementing our recommendations.

This report contains recommendations to you on page 8. As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Operations not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report. We would appreciate receiving copies of your statement when it is provided to the congressional committees.

Copies of this report are being sent to the Chairmen, House Committees on Appropriations, Government Operations, and Ways and Means; to the Chairmen, Senate Committees on Appropriations, Governmental Affairs, and Finance; and to the Director, Office of Management and Budget.

Sincerely yours,


Gregory J. Ahart
Director

Enclosure

BETTER MANAGEMENT OF
TOLL-FREE SERVICE NEEDED

OBJECTIVES, SCOPE, AND METHODOLOGY

Our review objective was to evaluate the management of the Social Security Administration's (SSA's) toll-free telephone service to the general public, particularly regarding its plans to expand the use of these services. Our examination focused on the management of the estimated \$7 million spent for collect calling, the \$2 million spent for IN-WATS ^{1/}, and the \$0.5 million spent for Foreign Exchange lines (FX) ^{2/}, all of which support toll-free service to the public. We reviewed commercial long-distance telephone services at five Teleservice Centers (TSCs) and seven local offices and interviewed SSA Headquarters officials. We also reviewed policy documents at SSA Headquarters concerning the establishment of the toll-free telephone service. Headquarters includes the Communications Systems Branch (CSB), which is the only SSA organization with authorized communications specialists responsible for voice communications management.

We contacted managers at 5 of the 32 TSCs to determine procedures they used to evaluate the cost effectiveness of toll-free telephone services provided to the public. We wanted to identify an existing TSC that most nearly represented the new TSC arrangement proposed for SSA's Atlanta region. According to SSA officials, the Atlanta region's proposed arrangement may be used as a model for all TSCs nationwide.

We also reviewed detailed commercial toll-call bills maintained at SSA Headquarters for 7 of the estimated 1,400 local offices. These seven offices collectively accounted for about 3 percent of the amount SSA spent in fiscal year 1980 for commercial long-distance telephone services. Our review was limited to these seven local offices because the commercial toll bills were not computerized and manual analysis of a larger selection was not practical.

BACKGROUND

SSA began its collect-call acceptance policy in May 1972 on a selected area basis because, in some cases, it considered the policy more economical than other long-distance services.

^{1/}IN-WATS is a bulk rate long-distance calling service offered by many telephone companies. Basically, it allows the subscriber to receive long-distance calls at a reduced rate from a specified area usually statewide at a minimum. Normally, there are two pricing levels for WATS--full time and measured time.

^{2/}FX is a dedicated circuit leased for a fixed charge, 24 hours per day, 7 days per week, between cities which permit toll-free calls between certain exchanges in those cities. An exchange is a specified area and is identified by the first 3 digits of the 7-digit telephone number.

In 1975, SSA officials made a decision to expand toll-free telephone services which provided the impetus to further increase the use of collect calls as a means to provide toll-free service.

SSA's toll-free, long-distance telephone service to the public cost about \$9.5 million in fiscal year 1980. This cost was comprised of about \$7 million for collect calls, including Enterprise service 1/; \$2 million for IN-WATS; and about \$0.5 million for FX lines. Toll-free service is provided by local offices and TSCs.

Local offices are defined as full-service facilities and can handle questions on all SSA matters, including claim processing. The approximately 1,400 local offices in the United States provide service to the public at both the office and over the telephone.

TSCs have no walk-in facilities and basically provide central answering service for a group of local offices. TSCs do not process claims and will refer the caller to the appropriate local office if the question involves making a claim. SSA has 32 TSCs located primarily in major metropolitan areas. Most States have no TSCs while other States have multiple TSCs. However, SSA is considering nationwide expansion of the TSC concept.

Congressional concern about the cost of toll-free services to the public prompted an amendment to Federal Property Management Regulation (FPMR) 101-37.312 in January 1981. The regulation requires agencies to annually address whether their existing toll-free service is the most cost-effective method of satisfying the requirement and whether the service is essential to mission accomplishment. In addition, the regulation states that the acquisition and management of toll-free telephone service should be centrally managed to the greatest extent practicable.

Recently, cost-effective management has become even more important because of (1) increasing pressures toward reductions in cost of social security programs, (2) major price increases in long-distance telephone services, and (3) SSA's consideration of expanding the TSC concept nationwide.

FUTURE TSCS

In February 1980, the SSA Atlanta region submitted a proposal to Headquarters to provide toll-free, long-distance telephone service to the public through nine TSCs to serve seven States in the region. The proposal calls for all general inquiry calls to be

1/Enterprise service is a service some telephone companies offer which permits the caller to make a collect call by asking the telephone company operator for a specific Enterprise number that is advertised in the telephone directory. The service is billed at station-to-station collect-call rates.

handled by TSCs via toll-free, long-distance telephone services. SSA officials feel that the Atlanta proposal is so promising that they hope to use the Atlanta region's TSCs as a model for TSCs throughout the country.

We did not evaluate the reasonableness of this proposal to expand the TSC concept, but did note that extensive use of long-distance telephone services will be needed to provide the toll-free service. However, as described below, no matter what concept is used, a more effective voice communications management structure is needed to ensure that the most cost-effective method of providing toll-free services is employed.

BETTER MANAGEMENT OF TOLL-FREE
SERVICE WILL REDUCE COSTS

SSA's decentralized management of toll-free telephone services, and a management philosophy to maximize the use of IN-WATS service on an areawide basis, has resulted in unnecessary costs. Examples indicating what can occur under this management structure are cited in the following sections based on our limited review.

Collect calls--an expensive
way to provide toll-free service

Collect-call rates are substantially higher than direct-dial rates because of the surcharge for telephone company operator assistance. At the offices we reviewed, the cost of a 1-minute collect call was up to 4-times the cost of a comparable direct-dial call.

As mentioned previously, SSA spent about \$7 million in fiscal year 1980 for collect calls from the public. All SSA local offices may accept collect calls from the public. Some TSCs inform the public by telephone to call collect when referring them to a local office. In other cases, the public was told by letter or other personal contact to call the local office collect.

We reviewed collect calls in detail at two local offices and found a high volume of collect calls coming from two or three cities near the particular SSA office. We tabulated the total time and cost of the collect calls for a monthly period and compared it to the cost for an FX line. Since the collect calls represented an hour or less use per work day, no more than one FX line should be necessary for each location. The following table shows the results of our analyses.

<u>Collect-call data (1 month)</u>				FX monthly	Savings
<u>From</u>	<u>To (SSA office)</u>	<u>Hrs.</u>	<u>Cost.</u>	<u>cost (un- limited use)</u>	<u>using FX</u>
Tomkinsville, Ky.	Bowling Green, Ky.	21	\$588	\$165	\$423
Russellville, Ky.	Bowling Green, Ky.	15	363	132	231
Scottsville, Ky.	Bowling Green, Ky.	15	298	123	175
Bardstown, Ky.	Elizabethtown, Ky.	13	304	125	179
Leitchfield, Ky.	Elizabethtown, Ky.	12	284	135	149

Using FX lines instead of collect calls is just one alternative. Other alternatives, such as IN-WATS, might prove cost effective were it not for CSB discouraging the use of IN-WATS at local offices.

Alternative services require
continuing analysis to be cost effective

While CSB does not allow IN-WATS at local offices, it does allow its use at TSCs to provide toll-free service. IN-WATS lines that cost about \$2 million in fiscal year 1980 are primarily used at TSCs. Our review showed little or no management of the IN-WATS lines by the TSCs' managers. Some of the TSCs' managers said they could not obtain the necessary IN-WATS usage data from the telephone company to perform any meaningful analyses of alternative service configurations. Two TSCs' managers told us that the IN-WATS lines had not been analyzed since being installed. At one of these locations, the IN-WATS lines were installed in 1975.

In our opinion, some of the TSCs' managers contacted did not have a clear understanding of IN-WATS pricing tariffs, and thus, were unable to determine the most cost-effective IN-WATS line configuration. For example, during a 4-month period in 1980 the Houston TSC used only 10 measured time IN-WATS lines and, as a result, incurred an extremely high overtime cost. As an alternative, the use of full-time IN-WATS lines would have saved about \$20,000 during this 4-month period. A similar condition occurred later when 12 more measured IN-WATS lines were installed to handle an additional service area.

While reviewing the situation at the Houston TSC, we noted this facility received about half of its total IN-WATS calls from the San Antonio City area. A recent monthly WATS bill was about \$24,000 for 24 IN-WATS lines used by the TSC. At the time of our review, FX lines between Houston and San Antonio could be obtained through the General Services Administration at a substantially reduced cost while providing the same level of service as an IN-WATS line. We brought this matter to the attention of SSA officials. They reviewed the situation and told us they plan to replace the IN-WATS lines with FX lines or other more cost-effective alternatives. This action should result in reducing the IN-WATS cost by over 1/3, or about \$100,000 annually. Similar conditions may exist at other TSCs where IN-WATS calls are concentrated.

The TSCs' managers told us that the IN-WATS traffic was very seasonal (for example, January through March are the busiest months), but IN-WATS lines were not adjusted to compensate for this factor. Management of the IN-WATS lines, taking into account seasonal fluctuations and other changing factors, could reduce costs. For example, in a recent 6-month period, the Seattle TSCs had only 10 personnel answering 36 lines (23 local and 13 IN-WATS). Extensive hold times resulted, and the IN-WATS overtime bill for February 1980 was about \$9,300 for the measured IN-WATS lines. As an alternative, a switch to full-time IN-WATS lines would have saved about \$6,200 in this month; a reduction in total IN-WATS lines to compensate for the reduced personnel over the 6-month period would have saved much more. At the time of our review, the manager told us that more answering personnel were being hired and the situation should improve. We recognize that various factors, including staffing increases, offer potential for reducing telephone holding times. However, as the specific effect of the additional staffing at the Seattle TSC has not been demonstrated, we believe that SSA should reanalyze this TSC to determine whether the existing or alternative telephone services and the configuration are the most economical to the Government.

Central management needed

The CSB located at SSA Headquarters is the only SSA element with authorized communications specialists responsible for voice communications management. SSA has a requirement that CSB must approve any installation of FX and WATS lines. At the same time, SSA has delegated management responsibility to the individual office managers by approving a maximum limit of IN-WATS lines for individual TSCs and allowing the managers, at their own discretion, to change (increase or decrease) lines.

CSB did not issue any guidance to assist the office managers in managing the toll-free services. For example, CSB had not issued any guidance to the TSC managers on how to perform an IN-WATS analysis. In addition, CSB had no ongoing or organized program to review the cost effectiveness of collect calls and IN-WATS, and provides technical assistance to office managers only on an "as requested" basis. All five TSC managers that we interviewed said they had little or no contact with CSB after the initial installation of IN-WATS lines and have received no guidance from CSB regarding how to manage the IN-WATS lines.

Management philosophy limits cost-effective alternatives

The CSB management policy prohibits the use of IN-WATS at local offices. Thus, one of the most cost-effective alternatives to collect calling is eliminated from consideration. CSB adopted this policy because local offices want to receive calls only from their service area which is made up of nearby communities, and IN-WATS will usually provide statewide coverage at a minimum.

However, we believe this problem could be solved by publishing the local office IN-WATS telephone number only in telephone directories for the locales in a particular local office service area. On occasion, IN-WATS calls from outside the local office coverage area may be received, but this condition may occur even under the present collect-call policy.

CONCLUSIONS AND RECOMMENDATIONS

The most cost-effective means to provide toll-free telephone service to the public is not being employed by SSA. In our opinion, collect calling is not the most cost-effective method of providing toll-free service in most cases. As illustrated in this report, SSA can do much to reduce the estimated \$9.5 million spent on long-distance services in support of its toll-free network. Further, in view of the recent publicity concerning reductions in SSA program benefits, the need for toll-free, long-distance telephone service may be questioned.

SSA officials responsible for voice communications management do not have a program to review the cost effectiveness of toll-free services. Management of toll-free services has been delegated to the individual office managers not familiar with voice communications management. In view of the inadequate management of toll-free services at the current TSCs, we are particularly concerned about SSA's plans for new TSCs in the Atlanta region.

Management could be improved by establishing an ongoing and organized effort to review the cost effectiveness of and need for toll-free services along the guidelines established in FPMR 101-37.312. Ideally, this effort should be centrally managed by specialists with the capability and authority to make the needed decisions.

Accordingly, we recommend that you direct the Commissioner of Social Security to take the following actions.

- Assign CSB central management responsibility for ensuring that toll-free telephone service configurations are the most cost-effective method to the Government.
- Task CSB to conduct the annual economic analyses of toll-free telephone services required by FPMR 101-37.312.
- Instruct SSA's offices to discontinue promoting public use of collect calls for contacting its offices unless extenuating circumstances exist.

AGENCY COMMENTS

We requested oral comments on our report, which were provided by SSA management officials. They generally agreed with our findings, conclusions, and recommendations. In addition, SSA described actions either underway or planned toward implementing these recommendations. These actions include studying the needs