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Hutton
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DECISION



**THE COMPTROLLER GENERAL
OF THE UNITED STATES**
WASHINGTON, D. C. 20548

FILE: B-189387

DATE: March 2, 1978

**MATTER OF: Certification Requirements for "Short-Haul"
Telephone Toll Calls**

- DIGEST:**
1. Where a telephone company does not utilize a local message unit system in its billing operation, but lists all calls as "long distance," even within the same metropolitan area, and the tolls charged for calls are not sufficient to qualify for use of the Federal Telecommunications System, all calls must be certified as being "necessary in the interest of the Government." 31 U.S.C. § 680a (Supp. V, 1975).
 2. Certification of "short-haul" toll telephone calls may be made on the basis of a regular, random sampling of such calls, sufficiently large to be statistically reliable for the enforcement of the statute. 31 U.S.C. § 82b-1 (a)(Supp. V, 1975); 3 GAO § 44, as amended by B-153509, August 27, 1976.

This is in response to a request from the Chief of the Fiscal Management Branch of the North-Atlantic Regional Office, Internal Revenue Service (IRS) for a decision as to whether "short-haul" telephone toll calls must be certified under the provisions of 31 U.S.C. § 680a (Supp. V, 1975).

Although the request was not made by the head of the agency and the Chief of the regional office's Fiscal Management Branch does not appear to be writing in the capacity of a certifying officer, we are nevertheless rendering a decision to the Commissioner of IRS because of its application to agencies throughout the Government.

The issue is raised on behalf of the Hartford, Connecticut IRS office, whose telephone service is supplied by the Southern New England Telephone Company. That Company does not utilize a

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message unit system in its billing operation and, therefore, all calls, including calls within the immediate area of the office, are listed separately and billed as toll calls. IRS has designated as "short-haul" telephone calls all calls for which there is a charge of less than 50 cents for the first 3 minutes. Under a General Services Administration (GSA) directive, such calls cannot be made through the Federal Telecommunications System (FTS). IRS believes that 31 U.S.C. § 680a (Supp. V, 1975) does not specifically require certification of such "short-haul" toll calls and that such a requirement would be extremely burdensome administratively.

31 U.S.C. § 680a (Supp. V, 1975) prohibits use of any executive department appropriation for payment of "long-distance telephone calls" except for those made in the course of Government business:

"and all such payments shall be supported by a certificate by the head of the department * * * or such subordinates as he may specially designate, to the effect that the use of the telephone in such instances was necessary in the interest of the Government."

7 GAO Policy and Procedures Manual § 25.3 (TS 7-37, March 31, 1970) (GAO) (which superseded 7 GAO § 5530.20, cited in the IRS request), requires that:

"Appropriate certification shall be made for all long-distance telephone toll payments. Charges for telephone calls within a metropolitan exchange billed as message units * * * are not considered to be long-distance telephone tolls for which certification is required by the above quoted statute."

We have also previously distinguished FTS calls from toll calls and held that the former are not subject to certification, 43 Comp. Gen. 163 (1963). Clearly, the telephone calls in question are neither FTS calls nor calls "billed as message units." Therefore, the "short-haul" calls fall under neither of the exceptions to the certification requirement.

We think IPS's designation of the relatively inexpensive toll calls as "short-haul" is misleading as it implies that these calls are distinguishable from other toll calls because the amount charged is less than 50 cents for the first 3 minutes. We note, from our examination of the bills submitted with the request for a decision, that while the great majority of the charges were for calls made to numbers within the Hartford, Connecticut area, the charges themselves ranged from a low of 17 cents to a high of \$2.17. In fact, two calls within the Hartford area were made to the same number; the charge for one was 25 cents and for the other \$1.69. It does not appear, therefore, that the amount of the charge is an appropriate factor to distinguish "long distance" calls from other toll calls for purposes of the certification requirement. We believe that under the express language of 31 U.S.C. § 680a (Supp. V, 1975), certification of all calls billed as long distance calls is required to assure that these calls were necessary for the transaction of Government business and to provide management with the means to determine that "they are the most economical and practicable means of communication available for the transaction of Government business." 7 GAO § 25.3, *supra*. In the absence of a local message unit system, such certification might, for example, demonstrate that the leasing of special tie lines to high volume calling areas would be more economical than the present toll system.

We conferred with GSA about methods to ease the administrative burden on the IRS Hartford regional office in meeting the certification requirements. GSA concurs with our view that the so-called "short-haul" toll calls are covered by the certification requirements and it points out that the absence of a local message system in the Hartford area is not unique. There is a wide range of rates in various areas throughout the country charged for local and "short-haul" toll calls because of different tariffs charged by different local telephone companies. Apart from any legal restraints, it would be administratively impractical to establish separate regulations for each of these areas in view of the variety of rates in effect. However, GSA concludes that while the statute requires certification of all toll calls, including "short-haul" toll calls, this certification could be based on a reasonable sampling of calls. In a letter to GAO, dated September 23, 1977, summarizing our discussion, the Acting General Counsel, Herman W. Barth, wrote:

" * * * GSA's experience with intercity calling on the FTS was explained with reference to the effectiveness of sampling as the basis for determining the use of intercity calling. Based

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on our experience, we recommended that GAO consider rather than 100% certification of all toll calls, a certification based on a sample, e.g., 10% or any percent determined by GAO as applicable to its needs. Also, we suggest GAO consider auditing some agencies on a random basis to insure that this sample type of certification is effective.

"In summary, the essence of our recommendations was that certification of short-haul toll calls is desirable, but on a sampled basis in order to make it more practical, and that GAO randomly audit Federal agencies to insure the effectiveness of the certification."

While we agree that certification could be based on a sampling of "short-haul" toll calls, this would not relieve IRS from its statutory responsibility for certification of all long-distance telephone calls. Precedent exists in Federal law for use of sampling techniques in the examination of documents relating to Government expenditures. 31 U.S.C. § 82b-1(a) (Supp. V, 1975) authorizes heads of Government departments or agencies to:

"Prescribe the use of adequate and effective statistical sampling procedures in the examination of disbursement vouchers not exceeding such amounts as may from time to time be prescribed by the Comptroller General of the United States * * *."

Under the current ceiling, sampling may be used in the prepayment examination of disbursement vouchers for amounts not in excess of \$500 or such lesser amount as set by the head of each department and agency, who is required to "demonstrate by cost-benefit analysis that economies will result by use of the limit he selects." B-153509, August 27, 1976.

The size of the random sampling necessary to meet certification requirements is for each agency's administrative determination but it should be large enough and conducted with sufficient frequency to provide an accurate determination that the calls were made under circumstances that would be to the "interest of the Government," and

to provide the means for enforcing this requirement. We offer the following guidelines from GAO 5 45 (DS 3-12, September 3, 1966) for assistance in setting up a certification sampling plan:

"Statistical sampling involves not only complying with the principles of probability but also developing and applying a scientific sample design which usually consists of the following six broad categories or steps:

"(1) Formulating the audit problem which includes (a) defining the universe of vouchers in terms of its elementary units and total number of vouchers and possibly its sampling units (groups of vouchers) and (b) stating the objectives of the audit clearly in writing and in quantitative terms.

"(2) Selecting and using appropriate statistical sampling methods.

"(3) Determining the size of sample needed to meet the prespecified audit objectives.

"(4) Selecting and using appropriate procedures for estimation of the characteristics of the universe of vouchers from the sample data.

"(5) Selecting formulas for, and evaluating the magnitude of, sampling error in the resulting estimates.

"(6) Presenting the results to management with proper interpretation.

"Developing a good statistical sampling plan requires knowledge usually possessed by professionals in the field. Accordingly, the advice and assistance of a professional statistician expert in sampling principles should be obtained when setting up a system of statistical sampling. Once developed and tested in operation, a sampling system may be operated by persons not

having statistical training. It must be supervised, however, by personnel having a sufficient knowledge of statistical sampling techniques as applied to auditing and of the essential features of the plan in use to assure its operation as designed and to make recommendations for its improvement."

Finally, 3 GAO 5 49 established the following minimum requirements for an adequate statistical sampling system:

"The minimum requirements for an adequate statistical sampling system are as follows:

"1. The plan must be based on sound probability principles and concepts, clearly outlined in written instructions for guidance of personnel.

"2. The plan must be predicated on economic and feasibility studies of the situation to which the plan applies, and these studies must be sufficiently documented to permit review and evaluation of the plan's characteristics. Sampling procedures should be adopted only when economies can be demonstrated or controls strengthened without adding to costs.

"3. Controls must be established to ensure adherence to the established plan. Vouchers actually examined should carry evidence of the examination.

"4. The plan must be supervised by personnel having adequate knowledge of statistical sampling techniques as applied to auditing and of the essential features of the plan. This does not necessarily require the services of a professional statistician. However, the advice and assistance of a professional statistician should be sought when the system is being set up or modified.

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"5. Recurring reports must be prepared for management presenting the results of the sampling audit. Management should provide a means for analyzing these reports and for correcting the causes of the errors disclosed therein.

"6. All records pertaining to the voucher examination system should be readily available for examination by the agency internal auditors and the General Accounting Office.

In summary, all telephone calls billed as long-distance toll calls are subject to certification requirements established by 31 U.S.C. § 680a (Supp. V, 1975). However, in view of the frequency and large number of relatively low-cost, toll telephone calls made by the Hartford IRS Regional Office, it would be appropriate for certification to be based on a well-designed sampling of a large enough number of calls to assure probable accuracy in enforcement of the prohibition against use of long-distance telephone service unless necessary for official business.

In our reviews of accounting systems, we will evaluate the adequacy and effectiveness of statistical sampling procedures used.


Deputy Comptroller General
of the United States