



Make sure you are “Checking It Twice”:

**The level of detail to review
when auditing invoices.**

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Many of our good habits are those we learned while at home. No doubt you remember your parents saying, “Hang up your clothes!” “Do your homework!”, or “Keep your room clean!” Unfortunately, good invoice auditing habits do not fall into this category. People struggle to review their own home phone bills, so this becomes even a more formidable task when you increase the number of invoices needing review to hundreds or even thousands. Our goal here is to offer businesses a way to focus on some specific, detailed auditing areas, which will facilitate greater cost savings for their company. They might even turn into good habits like those we learned from our parents!

Telecommunications auditing has such a wide range of potential areas needing attention that it is difficult to even pick a starting point. Is local service of greater importance than long distance? Where do wireless and data services fit in? Which vendors are the best fits for your company? Many of these questions will be answered once the auditing begins. There is no right or wrong place to start, and many times there is no list or inventory with which to start. We recommend you begin at the beginning – start with the first invoices you receive. What do you do with this invoice now? We offer the following categories to start the auditing:

1. Develop comprehensive accessible information /inventories
2. Maximize cash flow while minimizing late fees
3. Maximize ROI by validating all charges
4. Begin to automate and document
5. Review cost allocations for accuracy

You will add to these categories as you find uniqueness within your organization.

Start at the Beginning: Create a List!

You won’t know what cost reduction opportunities exist until you know what costs you have. The first step should be to identify the telecommunications invoices your company is receiving. Keep in mind that all invoices for telecommunications services may not flow through one department. The best place to begin is with your accounts payable department. Try to gather a list of all invoices allocated to telecommunications or submitted by voice, data, hardware or remote departments. Gather an account number, vendor name, type of service, (i.e., local, Internet, long distance, cellular, etc.) and charged amount at first. Make sure you avoid any invoice numbers as these will change from month-to-month and make tracking more difficult. Also, remember not all invoices are paper. Make sure you have access to CDs, Internet billing and vendor e-billing systems to gather this information.

Figure 1 - Common and Uncommon Vendors

SBC Ameritech	AT&T	Verizon	MCI
Qwest	Global Crossing	Bell South	Cable & Wireless
Chickasaw Telecom	Gallatin River Communications	Bell Canada	North Ulm Telecom
Popp Communications	Sterling Telecom	TeleBeam	Valor Telecom

Once a list of all account numbers is established, a greater level of detail can be added. Vendor contracts will be helpful in later “cost-per-minute” auditing. Customer service records (CSRs) should be requested for all local invoices. A CSR will contain an abundance of very useful data.

However, interpreting that data can be very confusing. Don't let this discourage you. Many CSRs will have a brief glossary of definitions on the back. This can be useful in defining line charges and features. And don't hesitate to call your vendors as an additional resource to assist you with clarification of your CSR detail or line item charges on your invoices.

Figure 2 - CSR Example

QTY	DESCRIPTION	AMOUNT	TAXES	UNIT
1	--SERVICE AND EQUIPMENT			
1	1B8 /PIC MCI/PCA BO, 04-01-05	0.00	0.00	TTNTBU
	/ZPIC A13/LPCA BO, 04-01-05			
	/CLT .UAFS.312.228.9697			
	/ME MEOE MEOE.IR01H71.001.09-051;			
	MECP MECP.IR01H71.001.09-051;			
	SPLT SPLT.IR01H71.001.09-051/LCC			
	1RE/LQ LO/UNN1 3143			
	/UNE1 .UAFS.021531..LB			
	/RA 217 G68-8902/CUS 000/SSP			
	/ORD C1485260866/CD 04-05-05			
1	OTZHX /ORD N1205466767/CD 04-01-05	0.00	0.00	TTNTBU
1	08ZDX /ORD N1205466767/CD 04-01-05	0.00	0.00	TTNNBU
1	OQAAX /ORD N1205466767/CD 04-01-05	0.00	0.00	TTNTBU
1	OQBBX /ORD N1205466767/CD 04-01-05	0.00	0.00	TTNTBU
1	OQCBX /ORD N1205466767/CD 04-01-05	0.00	0.00	TTNTBU
1	TTB /ORD N1205466767/CD 04-01-05	0.00	0.00	TTNTBU
1	RTVIN /ORD N1205466767/CD 04-01-05	0.00	0.00	TTNTBU
1	FYW /ORD N1205466767/CD 04-01-05	0.00	0.00	TTNTBU
1	NP3 /ORD N1205466767/CD 04-01-05	0.00	0.00	NNNTBU
1	NALCA /ORD N1205466767/CD 04-01-05	5.00	5.00	TTNTBU
1	UXTBU /ORD N1205466767/CD 04-01-05	1.25	1.25	NNNNNN
1	AHL /ORD N1205466767/CD 04-01-05	0.07	0.07	NNNNNN
1	LAWMM /ORD N1205466767/CD 04-01-05	-0.79	-0.79	TTNTBN
1	9ZR /ORD N1205466767/CD 04-01-05	4.49	4.49	TTNTBN
1	9PZLM /ORD N1205466767/CD 04-01-05	0.67	0.67	TTNTBN
1	NSR /ORD N1205466767/CD 04-01-05	0.00	0.00	TTNTBN
	TOTAL EXCLUDING TAXES		10.69	

QTY	DESCRIPTION
	--SERV & EQUIP ACCOUNT SUMMARY
1	AHL IL Telecom Relay Svc and Eqp
1	FYW Abbreviated Toll Free Service
1	LAWMM Infrastructure Maintenance Cr
1	NALCA Line Charge
1	NP3 Non-Published Service
1	NSR Number Portability Surcharge
1	OQAAX Local Clg Plan Area A Rte 1.0
1	OQBBX Local Clg Plan Area B Rte 2.0
1	OQCBX Local Clg Plan Area C Rte 2.0
1	OTZHX IntraLATA ICB Usage RTE 8.0
1	08ZDX 800 ICB Usage RTE 4.0
1	RTVIN 900/976 Call Blocking
1	TTB Touch-Tone Service
1	UXTBU Emergency 9-1-1 Serv
1	1B8 Business Usage Serv
1	9PZLM Federal GST - BUCL - Line-BUS
1	9ZR Federal Access Charge

As you can see, the Universal Service Order Code, (USOC) which means "business line" is not similar to standard terminology for a business line.

Once you have mastered the world of CSRs, you should be able to add specific line numbers, features, circuit identification numbers, physical locations, preferred carriers of voice traffic, and contract data to your list of accounts.

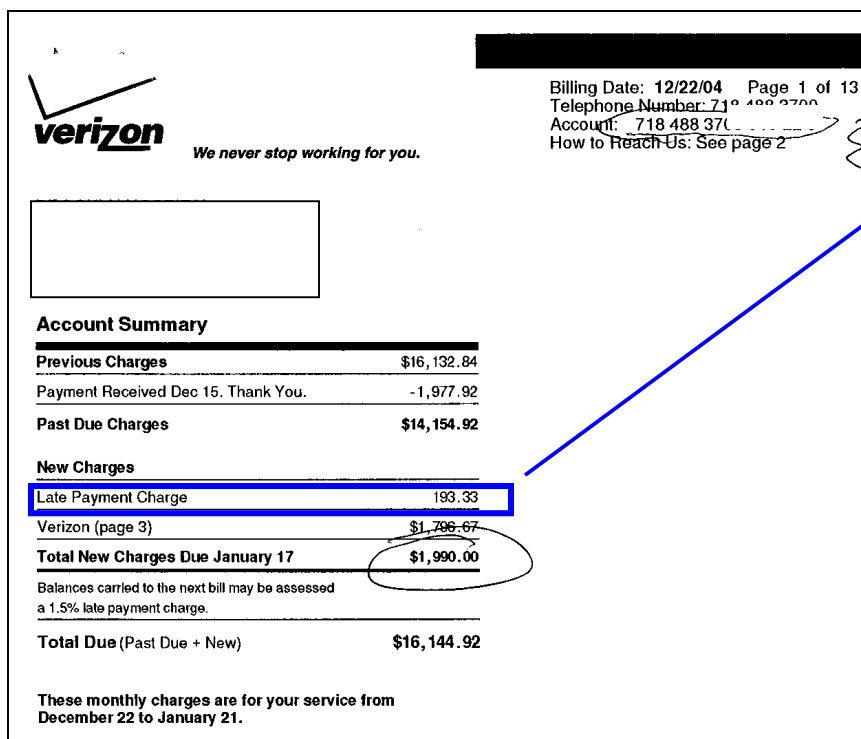
Eventually it will be important to gather general ledger allocation information for each invoice, and be able to report on this information. Keep these things in mind as you determine a platform and format for your data. Tracking tools can range from Excel spreadsheets to customized relational databases. The format you choose will be based on your own ease of

development and use. Keep in mind that Visicom has a comprehensive tool developed that may be of interest as well!

I'm Late! I'm Late! For a very important Date!

One of the most common overcharges, which are the easiest to avoid, is a late fee. Late fees can be charged as a percentage of the invoice total or as a flat fee. This will vary by vendor. No matter how late fees are charged, they are expensive, and you will save a tremendous amount of money by avoiding them. Understand the process that your company has selected for invoice approval and payment. If there are invoices that are not being sent to the correct address, this can easily be resolved with a call to the vendor's customer service department to make the correction.

Figure 3 - Late Fee Example



verizon
We never stop working for you.

Billing Date: 12/22/04 Page 1 of 13
 Telephone Number: 718 488 3700
 Account: 718 488 3700
 How to Reach Us: See page 2

Account Summary	
Previous Charges	\$16,132.84
Payment Received Dec 15. Thank You.	-1,977.92
Past Due Charges	\$14,154.92
New Charges	
Late Payment Charge	193.33
Verizon (page 3)	\$1,796.67
Total New Charges Due January 17	\$1,990.00
Balances carried to the next bill may be assessed a 1.5% late payment charge.	
Total Due (Past Due + New)	\$16,144.92

These monthly charges are for your service from December 22 to January 21.

Without proper attention, late fees can quickly accumulate and eat up a large portion of a company's total telecommunications budget.

If an internal process is delaying payment, this may be a more challenging issue to address. As you will find, process documentation will be key throughout your journey to reduce expenses. By understanding when invoices are due, you can maximize your company's internal cash flow while avoiding unnecessary expense. Unfortunately, many companies are not aware of all invoice charges, or do not track the receipt of invoices on a regular basis. This then leads to an even more complex and costly issue – DISCONNECTION. Many times, new services are added at a remote site or outside of the corporate telecommunications account. When this happens vendors allow very little room for error. In a matter of 30 – 60 days, not only will your company experience late fees, but also service disconnection will be imminent. In addition to being an inconvenience for those affected, disconnection is expensive since you essentially pay installation charges a second time, with added "expedite" charges to accelerate the restoration of service. By controlling the sources of new orders, and knowing when invoices are due, you can avoid late fees and disconnection expenses.

“Let’s Get Ready to Rumble!”

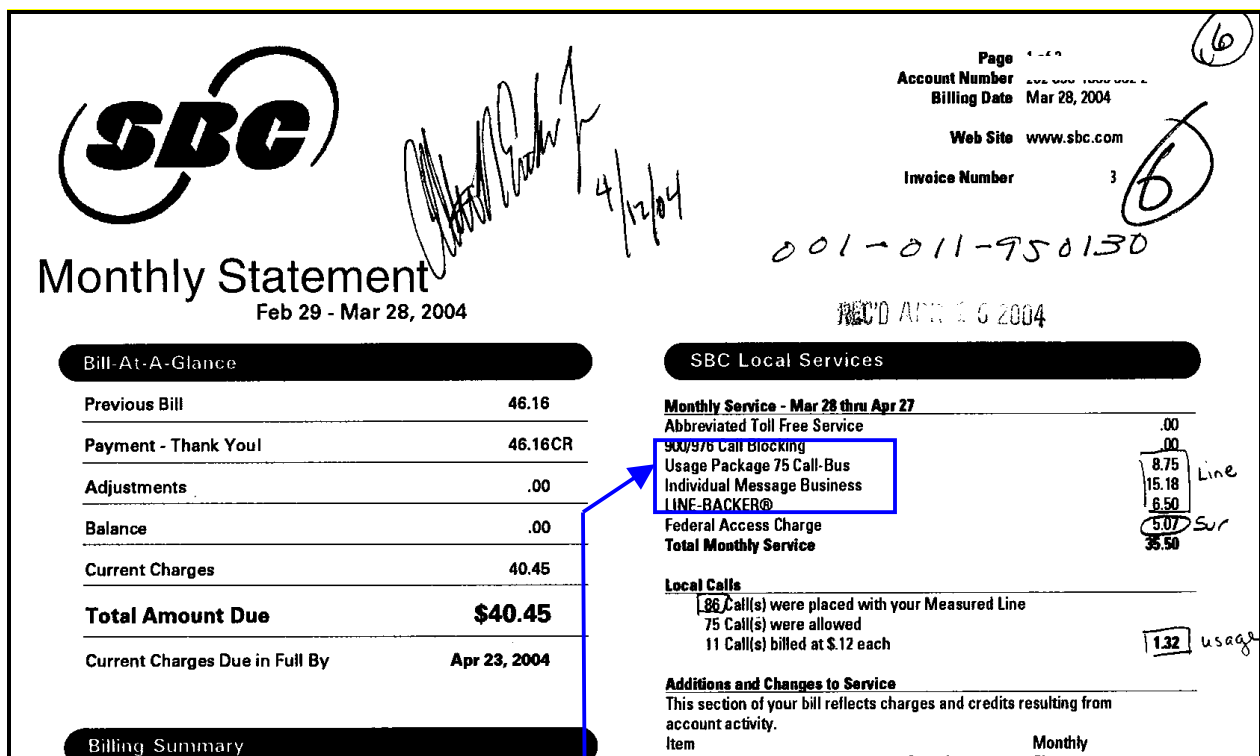
At this point, you are ready to “wrestle” with the detail of your telecommunications invoices. The opportunities to review invoices will vary widely from company to company. Some errors will be obvious as you scan the invoice visually (cursory audit) while others will take some time to calculate or decipher (comprehensive audit). Following is only a partial list of some of the most common errors to look for:

Slamming – This is not as common as it once was, but is the result of a company changing your long distance carrier without your approval. This can result in higher cost per minute charges (as high as \$1.50 per minute) and unnecessary monthly fees.

Cramming – The addition of peripheral service charges on your invoice (i.e. web hosting, Internet access, directory advertising, etc.) without your permission.

Unneeded Features – Services like wire maintenance and calling packages are many times not needed due to contracts with telephone equipment vendors or long distance carriers.

Figure 4 – Unwanted Features



SBC
Monthly Statement
 Feb 29 - Mar 28, 2004

Account Number: 200 000 1000000
 Billing Date: Mar 28, 2004
 Web Site: www.sbc.com
 Invoice Number: 3

001-011-950130
 REC'D APR 16 2004

Bill At-A-Glance

Previous Bill	46.16
Payment - Thank You!	46.16CR
Adjustments	.00
Balance	.00
Current Charges	40.45
Total Amount Due	\$40.45
Current Charges Due in Full By	Apr 23, 2004

SBC Local Services

Monthly Service - Mar 28 thru Apr 27

Abbreviated Toll Free Service	.00
900/976 Call Blocking	.00
Usage Package 75 Call-Bus	8.75
Individual Message Business	15.18
LINE-BACKER®	6.50
Federal Access Charge	5.07
Total Monthly Service	35.50

Local Calls

86 Call(s) were placed with your Measured Line
 75 Call(s) were allowed
 11 Call(s) billed at \$.12 each

Additions and Changes to Service
 This section of your bill reflects charges and credits resulting from account activity.

Item Monthly

1.32 usage

Handwritten notes: "4/12/04" and "6" (circled). A signature is present over the top right section.

These features were unnecessary based on contracts with existing phone vendors and the local service provider.

Partial Monthly Charges – It is important to verify that new or disconnected services are only charged for the actual dates of service.

New Plans – Did you request a local calling plan by a specific name or a cellular plan with increased minutes? Make sure the plans you requested and their benefits are reflected appropriately.

Fixed Data Charges – Have your fees for data, Internet, or frame relay services changed since last month? If so, find out why. These services are most often billed based on a fixed monthly contract rate and should not change unless your company has requested a change in service.

Once these services have been reviewed you can begin to conduct the more complex analysis. These more complex areas may take more time and resources to evaluate, but can also result in significantly more savings. Some of these opportunities include:

Contract to Invoice Comparison – Make sure you can validate that the cost per minute for usage outlined in your contract matches the cost per minute reflected on your invoice. Discounts have an impact on these calculations, so be sure you are consistent when calculating pre-discount or post-discount usage figures. Again, you should have an assigned vendor account manager. Get them involved in these calculations to save time and avoid frustration.

Network Reconfiguration – Have you changed the number of people or locations of your company? Make sure the phone lines at a specific location reflect any growth, shifting or downsizing in company staff.

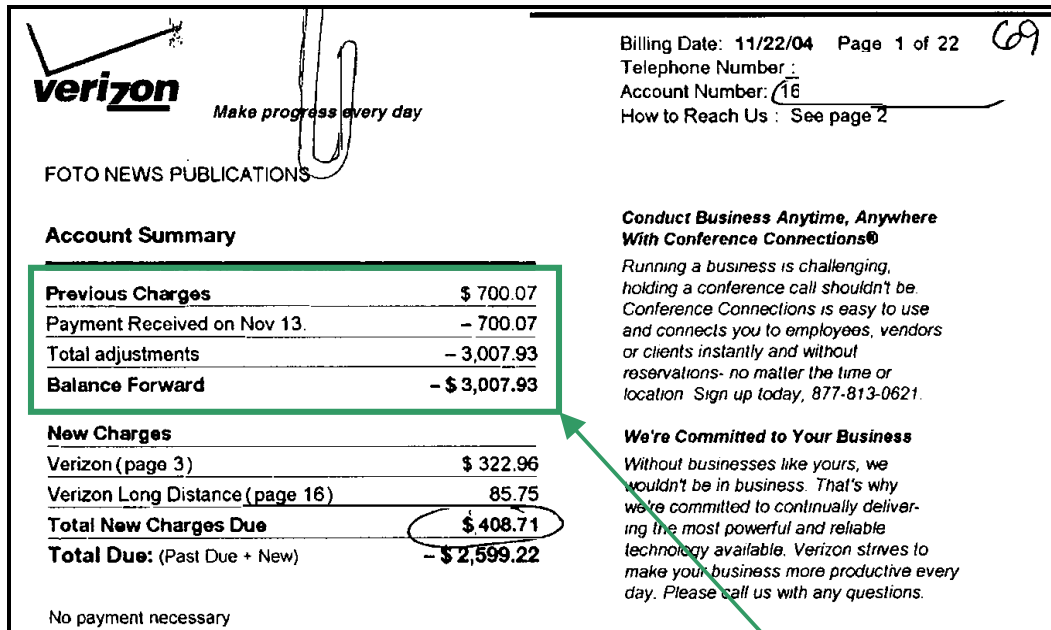
RFP Process – By making inventories of lines and total minutes of usage available, you will be better prepared to negotiate any upcoming contracts.

“Who Dun It?”

You have a list of your services, vendors, contracts and features. Now begins the real challenge. How do you correct all these audit errors, and what questions do you ask to achieve maximum savings? We talked earlier about processes. This is where those will come in handy. Knowing whom to call (i.e., customer service, repair, your account manager, etc.) is the biggest hurdle. By preventing the transfer of your call, you control how quickly your request will be processed. Knowing the source of the problem and how to ask for it to be resolved are also large obstacles that you can now overcome. The bottom line is that the vendors will know what you want and how to implement the request. Referencing an account number, contract type/date, and charge detail will create efficiency in the correction process.

But don't stop there! Make sure you look at the next invoice to ensure the changes were actually made to your satisfaction. It is possible that the vendor, for whatever reason, took only one step in a two-step process (i.e., fix and credit). If you request that a feature be removed, not only should you see the removal of that feature, but also a credit for all those months that the feature was charged without your permission. By clearly understanding your company, the telecom/IT needs, the problems and opportunities, whom to call, and the length of time it should take to make corrections, you can control the process of reducing your telecom/IT expenses.

Figure 5 – Credit Example



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Account Summary

Previous Charges	\$ 700.07
Payment Received on Nov 13.	- 700.07
Total adjustments	- 3,007.93
Balance Forward	- \$ 3,007.93
New Charges	
Verizon (page 3)	\$ 322.96
Verizon Long Distance (page 16)	85.75
Total New Charges Due	\$ 408.71
Total Due: (Past Due + New)	- \$ 2,599.22

No payment necessary

Billing Date: 11/22/04 Page 1 of 22 69
 Telephone Number :
 Account Number: 16
 How to Reach Us : See page 2

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You can see the previous month's charges of \$700.07, which were paid in full. In addition, there was a credit/adjustment issued, which makes the balance forward negative. In this case, Verizon credited the client \$33.60 per line on 9 lines for an incorrect feature charge in place since May 2003. Visicom discovered this error, contacted the vendor, and collected the credit as compensation for the oversight.

Make it repeatable....

Finally, the last step toward your goal is to work with accounts payable to understand their struggles with managing telecom/IT expenses. Do they have to manually enter general ledger codes and amounts due? Ask them if the delivery of this information in electronic format would make their jobs easier. With the information you have in your newly established inventory, you can give them an electronic spreadsheet for data input. Do you have remote managers who want to see their invoices/charges? Automation is the key to making paper invoices visible. Work with a document scanning company to store invoice images for you in a web-based system. Is the telecommunications department allocating all usage and monthly costs to their department? With a detailed structure to any invoice, general ledger codes can be added to allocate even the largest invoices to the specific locations or departments who actually incurred those costs.

With these tools in hand, you should now be prepared to begin your battle to reduce telecommunications expenses and help your company better manage this significant expense area.