

# TELECOMMUNICATIONS AUDIT & OPTIMIZATION



**A thoughtful Audit and Optimization process enables organizations to implement a closed-loop telecom expense management process, resulting in greater control and deeper cost reductions.**

*In a 2004 research report, Gartner states, "For most companies, telecom costs are rarely audited, and most companies only maintain minimal resources to manage their telecom life cycle requirements. The greatest appeal for TEM solutions is the improved governance for telecom management and a proven record of cost reduction for telecom spending."*

*True telecom phone bill audit expertise is only gained by years of experience and tenure within the telecommunications industry.*

## Audit and Optimization Overview

A thoughtful Audit and Optimization process enables organizations to implement a closed-loop telecom expense management process, resulting in greater control and deeper cost reductions. No matter where an organization stands in implementing expense management best practices, the expertise, processes and technology of a qualified telecommunications expense management (TEM) provider can help achieve the next level of management and savings. From managing assets to analyzing service provider invoices, a reputable TEM provider can deliver global insight into what transactions are made within an organization – and at what cost.

## Automated Tool Required

When searching for a TEM provider with audit and optimization experience, make certain they have a proven track record and are proficient in specific fields, such as local service, data, long distance, and wireless. Their team should also include a CPA experienced in telecom tax relief opportunities and a legal partner to facilitate litigation if required. Their team should utilize a blend of technology and industry knowledge to provide clients with optimal results.

The TEM provider should utilize an automated toolkit, developed with input from clients and vendors to provide organizations with customized client-specific data to help manage complex telecom solutions. This tool should combine Customer Service Record (CSR) details with invoice information from all client vendors whether local, long distance, data, wireless, internet, or cable. The information should be standardized across vendors to provide a manageable resource for inventory by location. In addition to managing assets, the data should be used for identifying cost savings and optimizations.

## Building an Accurate Inventory

The process of developing an accurate base inventory is integral to receiving the cost-saving benefits of audit and optimization. The first step in performing a successful audit is to establish what telecom services are in place at each location and what the cost is for each component. This objective is achieved through the creation of a detailed telecommunications inventory.

The most accurate form of telecom inventory is one based on and created electronically from the local exchange carriers Customer Service Records. The inventory will provide the most accurate and detailed information and will be the cornerstone in beginning the audit process. It should contain detail down to the USOC level and be available for comprehensive query. The data should be able to be queried to gain visibility to cost variances and validation of service level components, including but not limited to items such as lines, circuits, features, USOCs, taxes, fees, and PICs.

Inventory information can be further refined by conducting a physical inventory. This process involves inspecting each facility to determine what telephone assets are installed and in use.

## Identifying Discrepancies

Once the inventory has been built with Customer Service Records, the TEM provider will evaluate this data by comparing it with the invoices, and the client/vendor term agreements, tariffs, service guides and contracts. All invoices should also be loaded into the automated tool electronically via EDI, CD, Web-billing, or OCR applications, and manually if electronic data is not available. Typically, invoice rates are compared to the CSR rates for accuracy. These comparisons will identify discrepancies in the monthly recurring charges.

The tool gives the TEM provider the ability to design and execute an array of queries. The ability to analyze at a granular level will be essential.

Detail charges can also be evaluated, such as other vendor charges, usage, government fees and surcharges, federal, state, or local taxes. With this information, features or components not required can be itemized and easily identified for removal. Charges by other vendors when not authorized, required, or needed may also be eliminated. In addition, inappropriate taxes can be flagged for dispute. These are just a few examples of the types of exceptions which such a tool can identify.

After these initial steps are completed, you can ask your TEM provider to review your contracts and compare them to both the invoices and inventory for compliance with the contracted rates and discounts. You should request a detailed report of the findings, as well as an account status report defining whether the accounts are currently contracted, not under contract, meeting contractual obligations, or if the contract is about to expire. You should expect your TEM provider to provide you with their best recommendations, and to assist with the negotiation of new contracts or agreements based upon the knowledge obtained from the client inventory, invoices, and contract reviews.

Line verification should be completed based upon the inventory of billing telephone numbers and working telephone numbers obtained from the inventory. A query can be run to provide a list of these numbers, and then each should be called to determine if they belong to the client. A detailed analysis should be provided showing the results.

Any billing errors, items requiring investigation, or contract disputes should be addressed with the vendor, and followed through to resolution and verification of appropriate savings and/or credits to the satisfaction of our client.

## Federal Excise Tax Refund Review

Federal law (IRC Sec. 4251) imposes a three (3%) percent federal communications excise tax (FET) on amounts paid for communications services, including local telephone service and toll (long distance) telephone services. The subscriber pays the tax to the communications service provider who, in turn, remits it to the IRS.

Most consumers of voice long distance services, including 800 service, purchase such services under a "postalized" rate plan. A "postalized" rate plan is where the service is billed on a per minute price that does **not** vary based on the distance of the call. Conversely, IRC Sec. 4251 defines toll telephone service as that for which the rate varies based on elapsed time and distance of the individual call. Consequently, a postalized rate plan, by its very nature, does not meet the definition of a taxable toll telephone service.

A few TEM providers offer a **Federal Excise Tax Refund Review** which seeks to obtain refunds of the federal excise tax based on the mismatch of tax law and the ever-changing practices of the telecommunications industry. In particular, refund opportunities exist with respect to 800 services, postalized rate services, wireless, and virtual private networks.

Recently a number of taxpayers have successfully litigated this matter and, accordingly, it is conceivable that the Internal Revenue Service may eventually allow full refunds of the tax. In order to expedite the process of converting refund claims to cash, some TEM providers have partnered with law firms to not only prepare and file claims, but also try cases in court to arrive at the most optimal and expedient outcome.

Carriers are required to file FET returns (Form 720) on a quarterly basis. The statute of limitations, as it relates to FET, is three years. Accordingly, claims for refund of FET (Form 8849) are required to be filed no later than one month after the end of a calendar quarter for that period three years ago. Therefore, we recommend that taxpayers file refund claims for all open periods to protect any periods from expiring due to the statute of limitations. A suit may be brought against the IRS six months from the date that a refund claim is filed.

## Fund Eligibility Analysis

There are other ways to find opportunities for cost savings which you may not have realized. If your organization is a hospital, school, library or rural telecom provider, you may be eligible for Federal or State funds designed to subsidize your telecommunications budget. A few TEM providers have the specialized expertise to assist clients in maximizing their benefits from programs such as The Federal Universal Service Fund, State Universal Service Funds, Telecommunications Infrastructure Funds, as well as other Federal or State grant programs.

The administrative burden of determining eligibility, completing applications, gathering and providing all required documentation, completing audits, coordinating with carrier vendors, and confirming that all funds are received and credits applied in a timely manner is enough to discourage many eligible would-be recipients from participating in these programs.

Many organizations are forced to hire full-time professionals just to handle the administrative burden of participating in these programs, or alternatively the task is relegated to an already fully utilized employee who may not be able to give the attention necessary to insure maximum benefits are received. In either case your TEM provider can leverage their collective skills and knowledge for the benefit of multiple clients thereby reducing costs and maximizing the receipt of funds.

If you are unsure as to whether your organization is eligible to receive funds from these programs, request a **Fund Eligibility Analysis** from your TEM provider to answer this question. This is essentially the first step in the process and they should be able to provide an estimate of available funds for your organization.

## Symphony Spend Management Solutions at a Glance

- Founded in 2002
- Top-Notch Staff and Quality
- Process Maturity Rated at CMMI Level 4
- Strong Financial Backers
- Primary Financiers are TH Lee Putnam Ventures and Symphony Technology Group
- Global Secure Infrastructure

### Acquisitions

**2002:** Telco Research (originally founded in 1975)

**2003:** Teletron (originally founded in 1989)

**2004:** Stonehouse Technologies, Inc. (originally founded in 1978)

Our Telecom Expense Management enables organizations to implement a closed-loop expense management process, resulting in greater control and cost reductions. No matter where an organization stands in implementing expense management best practices, Symphony Services' expertise, processes and technology can help achieve the next level of management and savings. From managing assets to analyzing service provider invoices, Symphony Services delivers global insight into what transactions are made within an organization – and at what cost. Our Telecom Expense Management has over 300 clients spanning various industries, such as financial services, manufacturing, hospitality, retail, consumer products and pharmaceutical.

### Our clients include:

- ❖ 4 of the top 5 commercial banks
- ❖ 3 of the top 5 telecommunications providers
- ❖ 3 of the top 5 aerospace and defense manufacturers
- ❖ 3 of the top 5 motor vehicles and parts manufacturers
- ❖ 3 of the top 5 pharmaceutical companies
- ❖ 2 of the top 5 beverage companies
- ❖ 2 of the top 5 forest and paper products companies
- ❖ 2 of the top 5 diversified financials companies

### Contact Details:

To talk about how your business can benefit by working with Symphony Services, contact us at:

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