

Pursuing a telecommunications audit for your nonprofit

"Technological progress is like an axe in the hands of a pathological criminal." — Albert Einstein

It's impossible to watch TV for more than 30 minutes without seeing at least one advertisement for reducing the cost of telecommunications. A recent favorite of mine is "call anywhere in the world anytime you want for \$29.95 per month. Guaranteed!"

There is no question that fierce competition exists between and among telecommunications-service providers. The question is, how best to capitalize on reducing your nonprofit organization's costs in this area?

As New York State and the nation continue to maneuver their economic way through the Great Recession and the subsequent "reflation" of the economy, organizations must evaluate every cost component for potential savings.

Recent experience has demonstrated to me that there may be significant opportunities for cost reduction in the area of telecommunications. The savings generated are real and can be substantial — but only if you focus your attention properly with appropriate expertise from qualified external advisers.

In my continuing effort to assist you with the challenges of funding cuts, cost increases, and program deficits in the nonprofit world, I have identified telecommunications costs as an opportunity. The consulting idea for you to consider this month is a focused "audit" of your communication costs. Communications may be one of the largest overhead expenses for nonprofits, and managing the ever-changing costs of voice, data, Web, broad, and wireless communications is a challenge for every organization.

Why? Service providers change their rates — new service options become available; new service vendors offer alternatives; equipment becomes obsolete; less regulation; inventory of communication assets is not accurate. And, above all else, the terminology is very confusing, with technical words, terms, jargon, and a never-ending set of acronyms. It must be difficult even for telecommunications practitioners to keep up, let alone lay-people like you and me.

What are some of the practical situations you might encounter? Here are a few business scenarios to consider. See if they sound familiar:

- You have been adding telephone lines, or more likely additional cell or Smart phones, but there is no record or inventory of services; you think you are spending more than you should.

- You need an audit of your telecom services because your rates do not seem to match the contract you signed.

- You have been getting telecom invoices from several different carriers instead of one. What's wrong?

- You need an assessment and a recommendation to improve your systems, and there is no one on your staff with the time or experience to do this.

In next month's column, I will discuss the benefits of doing an annual technology audit. While some may (and should) include telecommunications as part of an overall technology audit, let me focus now specifically on a telecommunications audit.

As you already know, telecommunications costs represent a significant cost of your op-



GERALD J. ARCHIBALD
NONPROFIT
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erations. What you may not know, however, is that industry experts have found that approximately 70 percent of these bills contain errors — over 90 percent in favor of the telecommunications-services providers. Regrettably, the majority of these errors will be undetected because it is up to the customer to discover them and to request the necessary adjustments.

Despite the high cost of these services, and the high probability that most organizations are being unjustly overcharged, telecommunications bills are usually ignored. Many times, your accounting department simply scans the bills for mathematical errors and then processes the invoice for payment.

However, don't criticize the accounting staff. Many organizations do not have the resources and expertise necessary to effectively scrutinize utility and telephone bills. And, without special training in telecommunications regulations, billing formulas, equipment, engineering parameters, etc., many organizations wouldn't be able to spot the errors anyway.

The fact is that deregulation, while demopolizing the utility and telecommunications industries, opened the door to more complex rate structures, almost indecipherable billing processes, and inconsistent customer

service.

Outside expertise is usually required to guide you through the labyrinth that deregulation has created, to ensure that you recover the money that is owed and to eliminate the possibility of inflated future charges.

Most nonprofits today have not performed what I would call a comprehensive telecommunications audit. Regrettably, many of these same organizations are convinced that they have controls in place to identify billing errors from telecommunications-services providers. As my eyes have been recently opened to the magnitude of the savings to be achieved, I am recommending that you consider the benefits

to be derived from a focused communications audit.

Admittedly, at times, it may be true that an organization with communications expertise has already performed a thorough audit of existing services and has helped your organization implement effective, cost-efficient improvements.

Many times, however, this "audit" may not dig deep enough to uncover the maximum savings. Ask yourself the following questions: Did the firm ever work on site? Did it inspect equipment? Did it interview employees to un-

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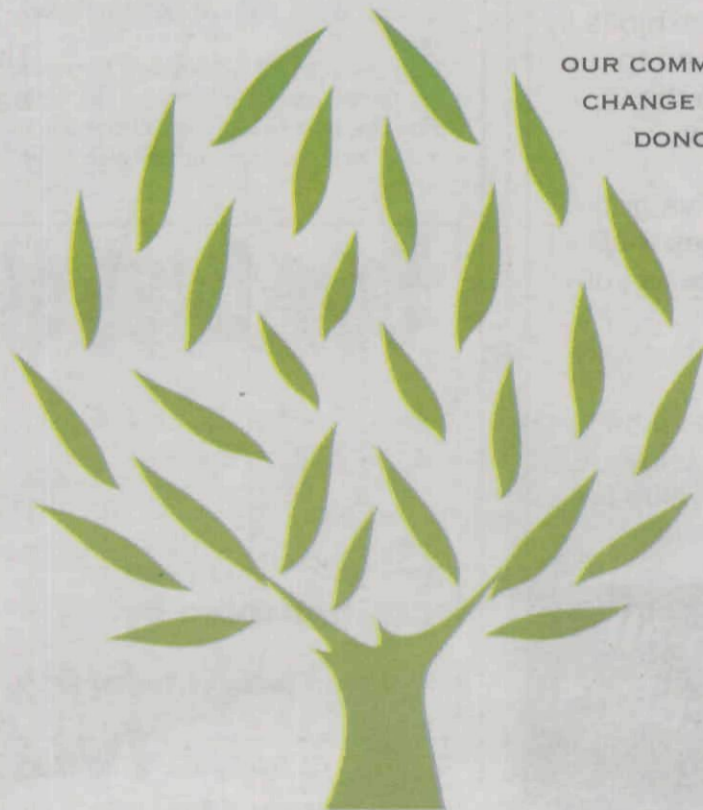


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ARCHIBALD: *You control your company's level of involvement*

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derstand company needs? Has it provided regular follow-up advice? Most often, the answer to these questions is "no."

Another approach is to have the local telephone-service provider or long-distance representative help you determine your needs and put everything together. The cliché that comes to mind is "the fox watching the henhouse."

While service providers are intent on fulfilling (sometimes exceeding) your organization's telecommunications needs, they are not really motivated to do so as inexpensively as possible.

In summary, your organization might be encouraged to think that the invoices received for many years are truly representative of the costs necessary to provide the telecommunications services required.

Because of the current rate of required

changes in the telecommunications industry, there can be overcharging for services or paying for services customers do not want or need.

In addition to helping you recover the money you lost due to such errors and overcharges, audits help ensure that your future telecommunications expenses are reduced and that your personnel are trained in self-audit techniques to increase your organization's telecommunications awareness as a mechanism for preventive maintenance and future cost control.

From a budget perspective, these services will cost you nothing because the consulting firms specializing in billing audits generally work on a strict contingency basis. Typically, during the course of an audit, if they discover that your services are in order and that your bills are accurate, they inform you of the status and exit the project without any payment for their services.

Conversely, if they discover that your service is inadequate and that your organization is due refunds or credits because of incorrect billings, overcharges, or error, these firms are paid a percentage of all refunds or credits and a percentage of future savings identified.

As I frequently say to my own colleagues, if I could guarantee you a minimum of \$10,000 or a 10 percent reduction in your communications costs, it would be worth the time you have spent reading this column. In essence, you either pay nothing or you recover or save money that you would not have without these services being performed.

In terms of time commitment, you control and decide your organization's level of involvement. Firms providing these services will work hard to minimize your involvement so you can focus on other important matters of your organization. They are ready to handle the entire audit from the collection of billing documentation through the examina-

tion of equipment and finally to interaction and negotiations with telecommunications-service providers. All you need to do is to give them the authority to do this by signing a letter of agency.

There are many firms that provide these types of services. CPA firms are precluded from providing services on a contingent-fee basis under the profession's ethical standards.

One final thought as you consider your selection of a company specializing in communications-cost control. Try to evaluate the vendor's capability to provide the whole spectrum of expense-reduction services. These include ongoing invoice auditing as well as management of invoices and payments. Other possibilities include outsourcing your telecom management and facility support for ongoing provision of services. □

Gerald J. Archibald is the partner in charge of the Central New York tax-exempt practice division of The Bonadio Group, with his office in Syracuse. Contact him at garchibald@bonadio.com

GOLDSBOROUGH: *Sony makes some of the most reliable laptop PCs, according to SquareTrade*

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to withstand strong vibrations, heat and cold, moisture, and dust.

I've been experimenting with using a Sony VAIO desktop-replacement laptop (www.sonymstyle.com/vaio) as my main work machine to see how well it replicates my current desktop PC experience. Sony makes some of the most reliable laptop PCs, according to a study by SquareTrade, a third-party warranty provider for laptops and

other electronics (www.squaretrade.com).

The Sony VAIO CW Series laptops, which start at about \$720, have large 14-inch screens and keys that have about the same size and spacing as desktop keyboards. As with most laptops you use a touchpad instead of a mouse, which requires an adjustment period unless you have previous experience with one.

The Sony VAIO runs Windows 7 and works well with it. As with most PCs, you can order it with extra capacity, going in

increments from a 2.10 GHz to a 2.80 GHz Intel processor, a 250 GB to a 500 GB hard drive, 2 GB to 8 GB of memory, and so on. A slightly higher-than-basic configuration works great for me, though if I were doing high-end graphics I would opt for more.

At 5.3 pounds, it's not light, but weight is the inevitable trade-off you face with laptops when choosing higher performance. Like many PCs these days, it comes standard with an advertising-laden edition of Microsoft Works, with various editions of

Microsoft Office, costing from \$145 to \$400 extra.

Though this is a machine that will travel with me, I'm not ready to give up my desktop PC just yet. But I can see how others would. □

Reid Goldsborough is a syndicated columnist and author of the book "Straight Talk About the Information Superhighway." Contact him at reidgold@comcast.net or www.reidgoldsborough.com



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