

Hotel Telecommunications: Invoice Management, Inside and Out

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Telecom costs are typically one of the four largest expenses in the hotel industry. As a result, when telecom vendor mistakes go undiscovered the impact on the bottom line can be substantial. In fact, mistakes totaling in the hundreds of thousands are commonly found by telecom auditors, but, unfortunately, more than 95 percent of these errors favor the vendor. Too often, invoices are simply paid without a thorough review for accuracy. The simple result is that you get overcharged. Some of the most common billing errors found by telecom auditors tend to be non-compliance with contracted rates, billing not consistent with the inventory of services, and as a result of improperly administered price coding and vague contract language.

1. While the contract may be very specific on the rate per minute, cost of access and volume, when the invoice is reviewed and analyzed, it often turns out to be more – much more.

This usually happens innocently enough. Occasionally, the telecom provider raises its standard rates; these rates are passed on to a company that has contracted for price protection over a set number of years. Sometimes negotiated discounts are accidentally removed or reduced. In other situations, the vendor may make errors in its billing increments. To put this in perspective, there are cases where the vendor made an error in its billing increments, charging 10 additional seconds on every call made by the client. This error cost the client \$1.75 million a month before it was finally corrected.

2. A second area that tends to be a trouble spot for the hotel industry is the inventory of services. The inventory of services is just that – an index of all the services your service provider supplies. Often, due to the complexity of telecom pricing plans, line items on telecom invoices are ignored and bills are paid without proper scrutiny. This is a mistake. Though complicated, it is essential to your bottom line to make sure that you are only being charged for services that you are receiving. This must be an ongoing process and some areas need more examination than others. Line features are an area in which costs can easily escalate if not closely reviewed. What features do you need and on how many phones? What features do you have? On which phones? It is easy to see how line features can get out of control.

3. Improperly administered price coding and vague contract language ultimately ends up costing hotels the most. The terms and conditions of the contract agreement are often more important than the rates being charged for services. If the new service or size of service is not listed in the agreement it is not uncommon for new services to be billed at undiscounted or tariff rates -- perhaps doubling current charges for the added services. And even if the contract is changed to incorporate new service into the standing contract there is still the possibility – or even likelihood – for error. Any time a change is made in a contract (renewal, line additions or deletions, a move or additions in service) mistakes crop up. Telecom experts contend that 25 percent of all changes need to be modified because the service provider did not input them correctly when the order was initially entered.

There is no doubt that the complicated and confusing nature of telecom invoices make them difficult to manage. Errors can go unchecked for years, but once identified and corrected it is important to remain attentive as the same mistakes have a habit of reoccurring. According to the Aberdeen Group, when auditing telecommunications invoices, 20 percent of the time is spent identifying the error and 80 percent of the time is spent validating the error. The resolution and implementation of the correction typically takes two to three times longer. It is a laborious and time-consuming process that is essential to managing your bottom line.

Given the amount of time and difficulty involved in a thorough examination of telecom invoices, more companies are working with telecom auditors. A telecom auditor works to make certain that your bills are correct, that you're receiving the best possible pricing and discounts, and that you're actually receiving all the services you're paying for. Because most telecom auditors only charge clients a percentage of their overall savings, there is no risk involved.

Based on my many years of experience in this business, I believe it is safe to say that if you are not working with a telecom auditor your bottom line is suffering as a result.

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