

United States Coast Guard

The U.S. Coast Guard hired a recovery audit contractor to perform a targeted in-depth examination of telecommunications invoices. An examination of 14,000 telecommunications invoices from

FY 2005 to FY 2010 identified errors totaling \$4,144,859, of which \$64,460 has been recovered, and \$4,080,399 is undergoing collection. All of the \$4,144,859 improper payment errors were caused by overpayments (no underpayments). The low rate of recoupment of these errors reflects: (1) the fact that this was the first time the U.S. Coast Guard performed a targeted recovery audit of telecommunications payments, (2) the complexity of the invoices examined, (3) the need to centralize the collection of the overpayments within a decentralized procurement activity, and (4) the desire to complete full due diligence with the vendor community to validate the correctness of potential claims.

Telecommunications invoices were selected for a targeted recovery audit due to: (1) inconsistent billing practices and invoice format between carriers, (2) pricing complexities including multiple pages with numerous pricing elements (3) charges listed in “lump sum” amounts with discounts generally applied making it difficult to establish true price points, (4) multiple telecom companies and services billing on a single invoice, and (5) inability of staff to perform in-depth reviews of invoices due to technical proficiency and monthly payment volume.

Identified payment errors for telecommunications invoices include: (1) international and domestic rate charges in excess of published rates, (2) plan errors due to pricing not following requested General Services Administration (GSA) discounted plan, (3) inconsistent rate charges for the same service in the same geographic region, (4) charges for federal and state taxes, (5) discovery of unauthorized third-party billings (i.e., cramming), (6) unexplained increases in land line charges, and (7) zero usage charges.

Immediate benefits from this work included the dropping of long distance services from accounts where it was not required, producing an immediate cost savings of \$102,335 and the identification of numerous circuits, telephone lines, and data pipes suspected to no longer be in use. Estimated future cost savings could be in excess of two million dollars. In addition to following up on these items, the U.S. Coast Guard is evaluating procurement policy, acquisition procedures, and payment controls to fully leverage the benefits of this recovery audit contract work. An operations team

Department of Homeland Security FY 2011 Annual Financial Report

- *A recent review for a West Virginia school district resulted in waste savings of 40.9%*
- *A recent review for a 2,400-bed health system in Florida resulted in savings of \$327,000 per year, a 81% decrease.*
- *A recent review for a 3,500-bed health system in Arizona resulted in a historical one time credit of \$241,000 for natural gas.*