



## **Contractor overbills Telecomm Company by 96%**

### **Cash Recovery Opportunity \$186,000**

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Denver, CO – The value-added operational audit of a mid-size cable Telecomm company (“client”) identified a 96% error in billing for services from a third party contractor. Field audit work performed during a brief 15 day period resulted in a significant revenue assurance opportunity for the client. Integrated Risk Management Solutions identified more than \$186,000 in contractor overbilling for services that resulted from inadequate performance and overstated billing. The client was positioned to recover cash from overpayments and revise operational expectations of the vendor.

The contractor overbilling occurred from:

- Inadequate placement of buried telephone/cable drop wire on residential properties
- Inadequate quality compliance with expectations and contract specifications
- Over charging for services not provided

The total potential cash impact to the client from overbilling was 96% of the total invoices.

Integrated Risk Management Solutions, through its’ affiliate partner Centennial Business Solutions, conducted an operational audit of the actual vs. expected performance by a local contractor. Work orders were examined from the client’s invoice data base for a 6 month period and were compared to client records to ensure accuracy and remove redundancies. A statistical sample was extracted that enabled a 95% confidence level of measurable results from 30 in-the-field quality reviews by our operations audit team.

The results found a 96% error rate in meeting quality standards established by the client. Errors included insufficient performance included shallow wire placement, improper cable usage, inadequate connections, insufficient wire protection and other technical errors. Billing for the period was \$200,000, and the error rate resulted in about \$186,000 in technical overbilling (or, billing for insufficient work). The client was then prepared for serious negotiations with the contractor. A settlement was reached where 1) the contractor admitted inadequate performance, 2) the contractor agreed to going forward (measurable) quality improvements, 3) a settlement was reached that included a financial payment by the contractor back to the client, 4) the field audit costs were completely recovered and 5) a serious message was sent about client expectations for contract work.

The overall ROI to the client for the field audit services was 11:1.

*Value-add operational audits are conducted by Centennial Business Solutions, LLC and Integrated Risk Management Solutions, LLC of Denver, CO. The companies specialize in the deployment of AICPA approved statistical sampling techniques that enable efficient analysis of company operational processes and performance.*