

## RECOMMENDATION TO SUNSET INDIVIDUAL REVIEW OF LONG DISTANCE REPORTS

### EXECUTIVE SUMMARY

University Information Technology (UIT) is focused to streamline administrative processes and reduce costs to the campus including for University of Houston (UH) telecommunications. Based on customer feedback and a strong value proposition, UIT recommends sunsetting the individual review of long distance (LD) calling reports, as the cost of the review is estimated to exceed the cost of all UH LD services by at least \$90,000 per year.

Other successful UIT telecommunications cost optimization initiatives include the recent sunsetting of the central printing and distribution of monthly telecommunication reports, estimated at \$20,000 per year, and the launch of the Telecommunications Expense Management (TEM) review for UH colleges and divisions, which provides recommendations with action items enabling the identification of cost reduction opportunities. The projected cost avoidance of the first two colleges is \$55,000 and \$15,000, reflecting annual savings to a large and small college.

### Value Proposition to Sunset Individual LD Review

As the use of email and the Internet has become pervasive, long distance (LD) calling is steadily declining at the University of Houston (UH) and elsewhere, resulting in significant cost reductions. During this time, UH internal control practices to review individual LD calling reports and certify calls as business-related have remained unchanged, although the cost of this review increases as the University grows and salaries and wages increase. UH is spending an estimated \$135,000 annually to control approximately \$45,000 in long distance costs per year. UIT recommends sunsetting the individual LD calling review to avoid incurring administrative costs for individual reviews and reduce administrative activities that no longer provide value.

UH will retain a strong internal control environment by continuing:

- **To issue long distance cards to individuals.** The use of LD is not open. It is tied directly to a UH employee or affiliate who received departmental authorization to acquire a LD calling card.
- **Required monthly review by program / cost center manager** of long distance and other telecommunication costs.
- **Annual reviews by department administrators of all active long distance codes.** Active LD codes deemed no longer needed will be deleted.

Given the diminished risk, high overhead and strong ongoing internal control environment, University Information Technology (UIT) recommends sunsetting the individual LD calling review process.

Annual Averages for UH Long Distance:

Item	Amount	Comment
Number of individual LD reports	48,470	4,290 monthly reports created and distributed
Number of LD calls	623,000	
Disputed LD calls	360	Less than 0.1% (0.06%) of all calls are disputed
Average Total LD cost per user	\$6.12	

## Current Process Overview

University Information Technology (UIT) generates and electronically distributes telecommunications reports to departments monthly via a billing Web site, including about 4,300 individual long distance reports per month (49,000 per year). Departments locate the long distance portion of the reports, print and distribute them to users who review, sign, and return them to their administrator. Generally administrators must ask some users more than once to complete the review. This must be tracked. The signed reports are then filed either physically or electronically to be available to Internal Audit.

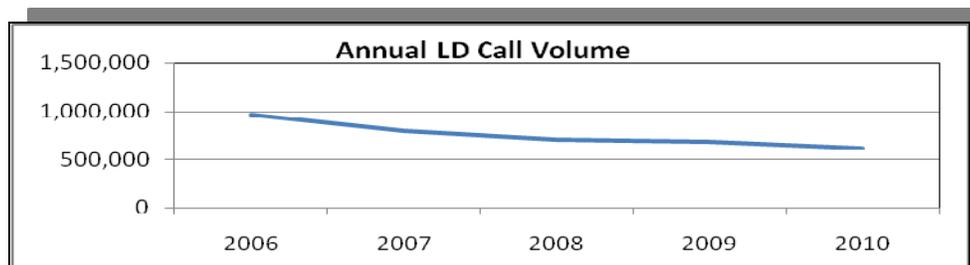
In sum, UH is spending about \$135,000 to control \$45,000 in long distance costs.

## Estimated Annual Costs of Individual Review of Long Distance Calls

LD Report Review <sup>1</sup>	Minutes per Report <sup>2</sup>	Cost
Administrator locates and prints report pages	2.25	\$ 31,000
Print Costs (\$0.01/page)		\$ 500
Administrator creates list of users with charges, prepares reports for electronic distribution and distributes them via email	13	\$ 42,000
User reviews their individual reports and returns it to administrator	2	\$ 40,000
Administrator receives and files, tracks outstanding reports, and issues 2 <sup>nd</sup> request for unreturned reports (about 30%)	2.25	\$ 22,000
<b>Total Estimated Cost<sup>3</sup></b>		<b>\$ 135,500</b>

## Five -Year Annual LD Usage Trend

During the last five years, LD Usage has been declining steadily. In FY2006, the number of LD calls was 966,000. By FY2010, the number of LD calls decreased by more than 35% to 623,000.



<sup>1</sup> For calculation purposes, average administrator salary has been estimated at \$35,000/year and average user salary at \$50,000/year.

<sup>2</sup> Assumes large college and administrative units (NSM, UIT) processing times are representative of all UH departments. Several units who reviewed this methodology indicated it was conservative.

<sup>3</sup> Neither the time needed to respond to long distance inquiries made by Internal Audit, nor the time spent by Internal Audit in auditing long distance has been calculated.