



**ACCOUNTS PAYABLE
RECOVERY AUDIT
SCOPE EXPANSION**



OVERVIEW

Businesses are always open to exploring ways to increase cashflow and reduce risk. An often overlooked way to reduce financial leakage is through the evolution and expansion of current or long standing accounts payable (AP) recovery audits.

In this e-book, we will explore new claim types and often ignored operation areas to expand scope and return additional money back to the bottom line. We will also explain how company data can be used to research and identify new opportunities to support and guide project expansion.

WHAT IS AN AP RECOVERY AUDIT?

Within the accounts payable process, errors can occur within the normal course of business. Even in companies that are highly automated and possess expansive controls, errors in the form of payment discrepancies, duplicate payments and more can cause cash to slip through the cracks creating unwanted financial leakage.

AP Recovery Audit Benefits

The key benefits of an AP recovery audit are recovered funds and risk identification that can help prevent leakage from happening again.



RECOVERED FUNDS

PRGX AP Recovery Audit services leverage advanced data analytics technology and statement outreach capability to identify potential errors in AP transactions. We cast a wide net to maximize our potential claim findings and then carefully investigate and research all potential claims for validity. PRGX efforts see the validated claims all the way through to recovery, ensuring the funds are returned to your organization.



RISK IDENTIFICATION

For each claim recovered, PRGX identifies the root cause of the error so that trends or highlighted risk can be addressed and prevent further leakage in the future. In addition, PRGX shares best practice information about each root cause area to aid in the effort. As systems, processes and assigned resources are always changing, a recovery audit can be a valuable tool to ensure that new risks are being addressed as they develop.

REVIEW CURRENT AUDIT

Once an AP recovery audit has been implemented, companies should consider the following ways to increase the audit scope to create even more value.

Company Footprint

- Is the audit global? Have all regions been included in the scope? = Missed opportunity for profit recovery.
- Are all plants or locations included? = Hard to reach data could be excluded.
- Do disparate groups/regions or divisions exist? = Risk for duplicate payments.

The ideal scenario = Inclusive, transparent and holistic views that allow the AP recovery audit to look across all transactions to identify errors.

Timing of Audit Cycle

- Are you auditing a full year behind transactions? = Supplier credits may disappear, be allocated elsewhere or written off.

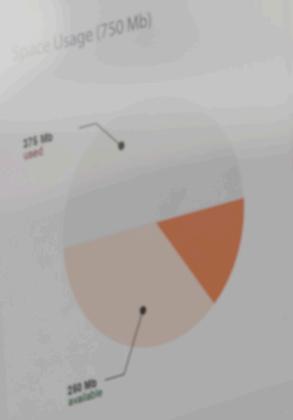
The ideal scenario = Accelerate audits closer to transaction dates. The recommendation is 90 days behind transactions to gain a better chance of recovery. In addition, this closes the feedback loop because the longer you are unaware of a process gap, the longer the gap will continue and the greater the leakage.





Resource > Your Chart

Business Chart - Visual



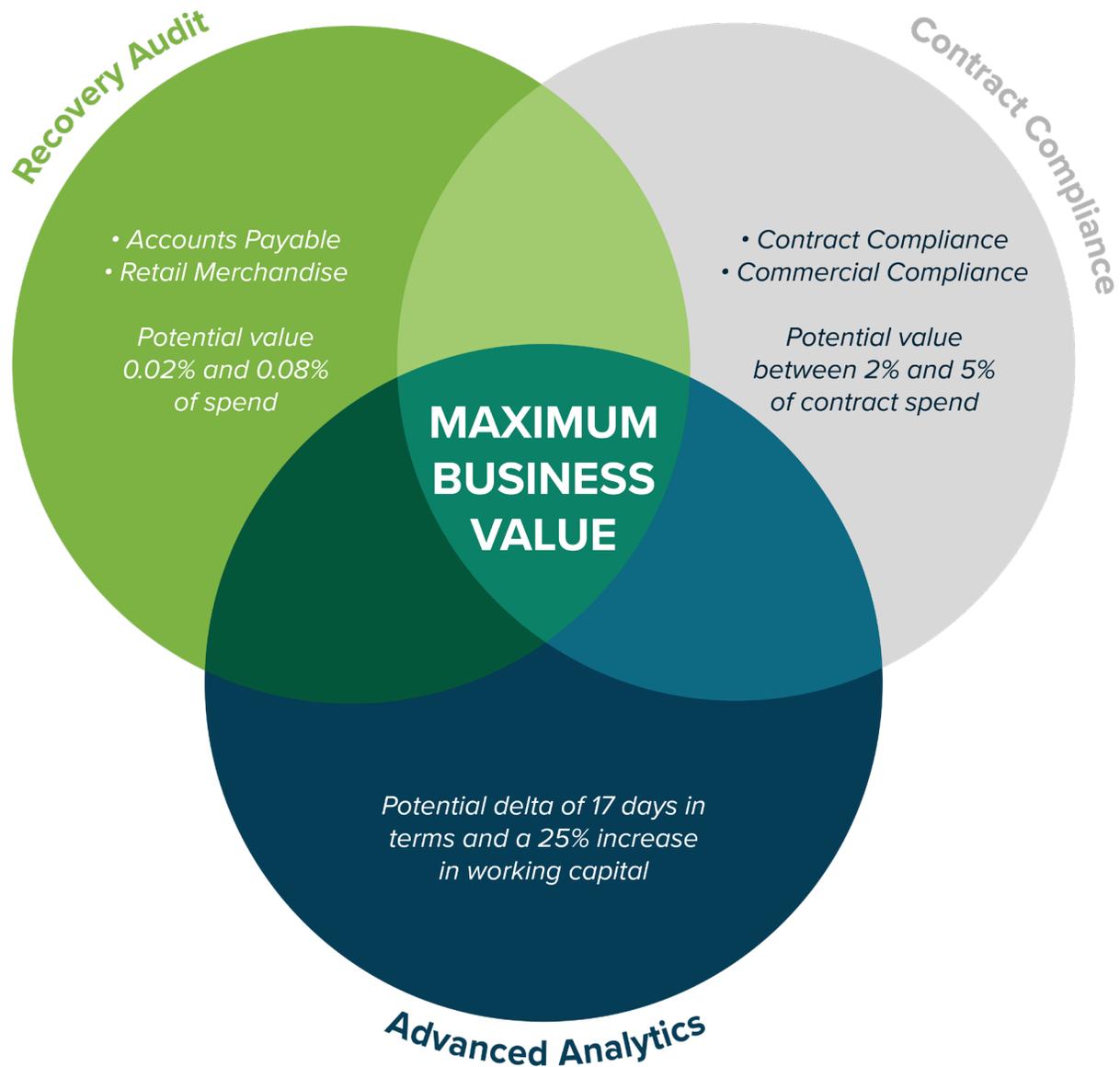
Who is your audience and what are their needs? This can help you better articulate the benefits of doing business with you and deliver a smarter product or service.

Interactive User
1,505
New Users Registration

18,321
Registered Users



EXPANSION OPPORTUNITY



The fastest path to realize total business value and reduce risk across your source-to-pay process is to utilize all three solutions offered by PRGX (shown in the diagram above).

Referred to as our 3-pillar approach, we combine Recovery Audit, Contract Compliance and Advanced Analytics to expand audit scope, create synergies and drive long-term value. The three solutions can stand-alone or work simultaneously to maximize ROI by leveraging data and lessons learned across all efforts. These are further discussed below.

TYPES OF EXPANSION

Once an AP recovery audit is underway, there is an opportunity to expand the audit scope to include additional spend areas to audit that aren't directly available in the raw payment such as:

- **Third party payment applications** – Understand if third party payment application transactions (such as purchases with P-cards, temp labor tools, etc) are reviewed against the regular payment pool or whether the supplier has been paid from two different payment sources.
- **Rebates** – Know how rebates are being tracked, managed and reconciled. Many times, the calculations are based on data that isn't always readily available which causes companies to take the amount as presented.
- **Pricing** – Compare price change information against invoices to ensure that price changes were enacted properly. This is most helpful with frequent price change scenarios.
- **Returns** – Review process and transactions regularly to highlight recoveries.

Common Accounting Errors PRGX Addresses:

- **Duplicate Payments**
- **Erroneous Payments**
- **Returned Product Where No Credits Were Provided**
- **Overpayments**
- **Unused Statement Credits**
- **Processing Errors**
- **Pricing / Billing Errors**
- **Missed Discounts**
- **Missed Allowances & Rebates**
- **Emailed Changes & Approvals**
- **Contract Price Variance**
- **Labor Rates & Per Diems**
- **Equipment & Materials**
- **Mark-ups & Multipliers**
- **Pass-throughs**
- **Damaged / Defective Goods**
- **And more...**



OTHER AREAS FOR AUDIT EXPANSION

If a company has maximized the scope and expansion of its AP recovery audit, there are other opportunities to move up the maturity curve of audit best practices and expand on value and insight.

Contract Compliance

- **Contract Compliance Audit** – Takes into consideration if the supplier charged the right price or provided rebates as agreed in the contract. This type of audit can re-calculate charges using a company's data to ensure charges are correct.
- **Commercial Compliance Audit** – Reviews the supplier contracts to ensure that all of the benefits that were carefully negotiated by procurement are actually received. Where an AP recovery audit looks for errors in the payment process, this type of audit performs reviews and calculations leveraging both company and supplier data to make determinations. Things reviewed include labor rates or cost plus, markups multipliers, pass throughs and overhead charges.

Advanced Analytics

Advanced analytics combine industry-leading consulting and data expertise with robust tools and proprietary technology to help businesses rapidly uncover insights, take action and achieve bottom-line results. Layering in artificial intelligence, machine learning and data science, our advanced analytics team provides insight above and beyond what can be found in traditional source-to-pay audits – while identifying revenue-generating opportunities hidden deep inside your data.

SUMMARY

PRGX helps companies spot value in their source-to-pay processes that other sophisticated solutions didn't get to before. Having identified more than 300 common points of leakage, we help companies reach wider, dig deeper, and act faster to get more value out of their source-to-pay data.

We pioneered this industry over 50 years ago, and today we help clients in more than 30 countries take back \$1.2 billion in annual cash flow.

The robust audit methodologies and self-funding project models developed by PRGX combine decades of human experience with advances in technology. Both are enabling our auditors to uncover the systemic, contract and process issues that cause value leakage. It's why 75% of top global retailers and a third of the largest companies in the Fortune 500 rely on us.

For additional information on PRGX, please visit: www.prgx.com.

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