



PAYMENT
INTEGRITY PARTNERS

ACCELERATION OF RECOVERY AUDITS

6
MONTHS

Your entire audit process could be completed within as little as six months from the date of transaction!



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A BRIEF INTRODUCTION TO ACCELERATED RECOVERY AUDITS

As Compared to Annual Audit Schedules

A post audit of merchandising and accounts payable activity is an important effort that is considered a best practice for Retail, Commercial and Healthcare businesses. The audit will confirm that financial arrangements and payments between the retailer and its suppliers were executed as intended. The following detail and illustrations will focus specifically on retail businesses.

Traditionally, a retailer will contract with one or two external audit firms to perform a comprehensive review of successive one-year time periods. The annual audit is conducted once the year ends and paper media and other information are gathered to conduct the review.

However, the digital transformation that has occurred over the last several decades has allowed retailers to transmit electronic data and email on a regular and continuous basis. Today, it is not uncommon for retailers to transmit data monthly. **Thus, the Accelerated Audit Recovery model is introduced.**

Data remains constant enough that many retailers establish monthly or more frequent jobs to transmit the data. Automated jobs can minimize the ongoing workload and retailers manage any requests for data that resides outside of the system as needed. **When current data is available for the audit**, there are far more options for retailers when executing a post audit with their audit firm.

If you could audit last month and find .1% of monthly sales in missed allowances and apply that to this month, what impact would that have on your business? Most retailers appreciate collecting missed supplier funding quickly and dispensing with the friction old audit recoveries create between them and their supplier partners. Transitioning to an accelerated audit process provides more benefits than you might realize. Let's take a closer look at some of the challenges that exist with aged audits and some of the benefits an accelerated process can offer.



THERE ARE FAR MORE OPTIONS
FOR RETAILERS WHEN CURRENT
DATA IS AVAILABLE TO AUDIT.

HIDDEN CHALLENGES OF ANNUAL AUDIT SCHEDULES



Friction is created with suppliers because recoveries are from a prior year or worse



Retailer's **options** on a Secondary review are limited by the age of transactions



Personnel turn can limit available **information** to support findings



Larger findings can affect supplier **pricing** and ability to run promotions in the current year



It simply takes more **time** at the end of the year to complete an annual audit

BENEFITS OF ACCELERATED AUDIT SCHEDULES



Recoveries are collected much earlier leading to improved cash flow



Reduced friction with supplier and merchandising partners as they validate current information



Current results allow for real-time transparency into needed process improvements



Real-time collections can be applied to the proper period for better margin reporting



Personnel resources are more likely to be available for agreements lacking information



Audits of shorter periods of time are completed within the year

HOW IT WORKS



01 PROCESS REVIEW

Review how and when supplier performance funding (i.e. scans, billbacks, etc.) is collected internally to determine how much time is needed before allowing external audits to begin. The outcomes of the review will identify the number of days needed after a particular transaction for the retailer to complete their internal collection process. This will prevent duplication of efforts and also allow the retailer to collect funds first before paying a fee to have them collected by external auditors. With the time required to complete the internal process the optimal audit frequency can be considered.

02 CHOOSE FREQUENCY

When accelerating from annual audits there are a few audit frequency options to consider:

- Semi-Annual
- Quarterly
- Monthly

Many have made the move to Semi-Annual audits, but few are as frequent as quarterly and it is even more rare to see a monthly audit. Retailers will want to consider impacts to any existing claim approval process as acceleration takes place. Claim velocity will increase and could impact other partners in the process. In addition, the integrity of the claims and preventing claims from falling to the secondary audit (which charges a higher fee) should remain a priority.

03 SET SCHEDULE

With the knowledge from step one and two, the audit release schedule can be set and communicated to the audit teams. This will dictate when the audit material will be officially available to audit (even though the teams may have the necessary data). It can be as simple as it requires a retailer 30 days to complete its internal collection process and the audit frequency is monthly in which case the audit could begin as soon as the beginning of month 3 (30 day month, plus 30 days for retailer internal review). But any schedule can be used. With the same facts the retailer could choose to wait a full quarter after the internal process completes.

An expected completion date for each audit should be established that is consistent with the acceleration goals. The objective is for the Primary to audit the monthly transactions until the next month's (or Quarter, Semi-Annual) transactions are available.

There are audit areas that may not lend themselves to accelerated audits and a plan around completing those audit areas will need to be developed to address the needed timing. Annual rebates/programs and email reviews could be examples of areas that may require a slightly different accommodation.

CASE STUDIES



Take a look at the dramatic shift in the amount of time required to complete the audit process by comparing the average length of audits with a sampling of 27 retailers across the country:



*Retailers sampled have revenue ranging from \$1 billion to several hundred billion.

The results in a sample of 27 retailers across the country that have at least one audit show that using a basic accelerated approach to the process by auditing transactions on a quarterly basis would make the audit process as much as **80% faster** than traditional audits that exist today! This kind of result affords retailers the flexibility to apply discovered dollars to the appropriate department for an accurate calculation of margin dollars, reduces supplier friction and so much more.

HELPFUL HINT:

As retailers transition to an accelerated model, communication should go out to all partners in the process. Transparency throughout the process will allow partners to address any questions or concerns that come their way and ultimately facilitate the success of the audit. Consider including partners from all areas that receive requests for post audit as well as supplier partners that will be seeing a change to the pace and content of requests for uncollected funds.

ACCELERATION IN 5 STEPS

LET'S ILLUSTRATE WHAT ACCELERATION LOOKS LIKE IN AN EXAMPLE

If your business is on an annual/semi-annual audit schedule this is what a quarterly audit could look like for you. *Sample Objective: Recover all dollars owed due to overpayment or under collection of funds*



THIS MEANS YOUR ENTIRE AUDIT PROCESS COULD BE COMPLETED WITHIN **AS LITTLE AS SIX MONTHS** FROM THE DATE OF TRANSACTION!

CONCLUSION




Accelerating Audit Periods may not be for every retailer, but it is done successfully in the industry and can yield significant timing and cash flow benefits. The benefits to each retailer will need to be evaluated as part of the governing objective to determine the real benefits. The team at Payment Integrity Partners can help determine if this is right for you.

WHAT POTENTIAL REVENUE IS YOUR ORGANIZATION OVERLOOKING?

Contact us today by calling 980.288.8000 to learn more or schedule a demo today to see for yourself.

SCHEDULE A DEMO NOW

www.PaymentIntegrityPartners.com



**THE FUTURE OF AUDITING IS
HERE. LET US SHOW YOU
WHAT IT COULD LOOK LIKE
FOR YOUR BUSINESS.**