

CASE STUDY

This Case Study highlights an 80-Store Natural/Organic grocery retailer utilizing a third-party distributor to deliver items to the stores. They were looking to establish a post audit recovery program for the first time.



OVERVIEW

With this being their first Recovery Audit, the company had no idea if they were missing money or not. They wanted the audit to quantify their risk and financial exposure given their tremendous growth and confirm gaps they were seeing in certain departmental margins as they continued their growth trajectory.



CHALLENGE

The age of recovery audit claims (3+ years) quickly began causing friction with supplier partners and the third-party distributor processing claims. This friction was forcing valid recoveries to go uncollected. The sheer volume of identified recoveries justified the need to find a solution to the age of recoveries to prevent this from happening again.



SOLUTION

Payment Integrity Partners planned & executed a real-time audit option so that recoveries could be identified as soon as monthly. The retailer ultimately chose a quarterly frequency because it worked best with their operations. The outcome of the accelerated solution brought the age of the oldest transaction in claims from over three years to less than six months.

THE CHALLENGE

TRADITIONAL AUDITS FALL SHORT

The concerns over the age of claims presented from prior years quickly spread to the retailer's Merchandising team where claims became a flash point for merchandisers who were fielding complaints from their suppliers. The friction from these interactions was causing recoveries to go uncollected, making acceleration of the audit a critically important change for the audit to be successful.

**PAYMENT
INTEGRITY
PARTNERS HAD
TO IDENTIFY THE
OBSTACLES THEY
WERE BEING ASKED
TO OVERCOME**

THE GOALS

- Reduce the age of audited transactions
- Create a way for data to be received monthly
- Determine the optimal audit frequency
- Extract, load, process, and convert data for recoveries to be fully documented, reviewed and collected within a few weeks from the end of each quarter
- Retool the existing annual audit structure to meet the new accelerated pace
- Rework claims process with distributor to align with accelerated model

There were limited resources the retailer could dedicate to the project, mostly due to availability of internal resources. Luckily, the only change requiring retailer resources was in transmitting the same data they already provided to Payment Integrity Partners, just sending that same data on a more frequent monthly basis.

THE SOLUTION

THE FUTURE OF RECOVERY AUDITS

Just a few small steps on the part of the retailer (with the guidance of Payment Integrity) reduced the overall effort and frustration with the audit process for years to come.

1

PARTNERED WITH THE
RETAILER TO ONBOARD
DATA AUTOMATICALLY ON
REGULAR MONTHLY BASIS

2

PROCESSED DATA MONTHLY,
INCLUDING THE AUTOMATION
OF CLAIM DEVELOPMENT
AND HANDLING

3

WORKED WITH THE DISTRIBUTOR
TO BUILD A NEW STREAMLINED
PROCESS FOR CLAIMS
HANDLING

Steps taken throughout:

- Developed monthly data extraction
- Automated data transition process
- Combined technology and business rules to identify each claim type
- Raw data was incorporated with Proprietary tool set for claim analysis
- Claims were reviewed and forwarded to the vendor
- Tools were utilized to efficiently move approved claims from claims analysis to the vendor
- Documentation was automated to transmit between software programs
- Once the vendor review period expired, claims were submitted to retailers

THE OUTCOME

REIMAGINED AUDITS: AUDITING CLOSER TO THE TRANSACTION

The retailer allowed Payment Integrity to show them the future of Recovery Audits, and are still reaping many benefits:



LESS TIME TO COMPLETE

Payment Integrity's re-engineered audit process took less than 1/3 the time of what a traditional audit takes to complete.



COLLECTED RECOVERIES

Collection rates improved by 23% with more readily available information.



REDUCED FRICTION

The client enjoyed happier relationships with suppliers. Merchandising became a partner in the audit process as a result.



IMPROVED CASH FLOW

Material claim dollars were received within the current year instead of closed years from the past.



IMPROVED PROCESSES

Real-time improvements reduced post audit recoveries and subsequent fees by 81% in a single claim area.



RECOVERIES ARE CURRENT

The retailer was able to credit dollars from the current period and department that earned them.

CONCLUSION

Retailers are craving innovation in the post audit space. They want to remove the pain points of aggravation with their Merchandising and Supplier partners. Payment Integrity Partners utilized new technologies that accelerated the completion of the audit while increasing the identification of valid recoveries (faster with more findings without sacrificing accuracy or transparency into the process).

While there is some level of investment for retailers to establish a monthly process for transmitting data, once the process is established and barring a problem, the amount of time needed to support the process going forward is near ZERO.