



## What is the full cost of your recovery program? And how much overpayment is it failing to recover?

Costs equivalent to one percent of organizations' procurement budgets are lost to overpayments each year.

### **No matter how thorough your purchase controls, overpayments represent a business risk that directly affects your bottom line results.**

Overpayment to vendors is a fact of life. People make mistakes and computers that process transactions repeat these errors until corrected. The larger an organization grows, the more complex its purchasing processes become and the greater the risk of significant financial loss due to undetected and uncollected overpayment.

Large businesses typically generate hundreds of thousands of payments to suppliers for transactions that may represent billions of dollars in annual expenditures. Manufacturing and retail industries, in particular, may have many different and complex purchasing arrangements with large numbers of suppliers. Ensuring that every transaction has been processed correctly to align with an organization's policies and procedures can be a labyrinthine task involving the entire organization, multiple (and often, incompatible) computer systems, and a myriad of files. The sheer volumes of purchasing data and disparities among the departments and systems that handle them further exacerbate these difficulties.

### **The full cost of current vendor audit and cost recovery solutions**

The broad range of errors that can occur in purchasing requires that investigations be equally far ranging. Errors can include vendors' pricing mistakes, duplicate payments, omitted discounts, neglected allowances and rebates, miscalculated charges, or incorrect taxes. Undetected, these errors result in overpayment.

Traditional vendor audit procedures are time-consuming and therefore very expensive for the average organization to undertake. In a typical accounts payable department, vendor audit procedures normally recover roughly 50 percent of overpayments. Organizations frequently outsource to specialist firms the investigation and recovery of incorrect payments to vendors. Such firms charge substantial fees, based on a percentage of the recovered amounts. Even with these measures, only a fraction of the overpayments are recovered – because the overpayments are not identified, they are disputed, or because missing data or poor documentation cannot support the claim. Often overlooked is another significant cost – the time value of the recovered funds.

### **The role of recovery specialists**

The continued, highly profitable operations of professional cost recovery companies are a testament to the millions of dollars in potential profits that slip past an organization's controls. Recovery specialists typically perform two services: first, analyzing an organization's data to detect suspicious transactions; and second, taking follow-up action to determine whether an overpayment exists and, if that is the case, recovering the funds in question.

### **Making cost recovery cost-effective**

The challenge, then, is increasing accounts payable recoveries at a lower cost. Organizations can expand their internal efforts to identify overpayments before turning to external recovery specialists. By taking this more proactive approach and detecting a greater number of possible overpayments themselves, organizations can keep professional recovery specialists focused on the more complex, sophisticated analyses required for complicated recoveries – and maximize their return on expenditure.





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A leading Fortune 500 retail firm recovered more than \$2 million in the past four years through use of ACL in analysis of vendor payments.

To accomplish this task in-house, organizations need a method for establishing a comprehensive vendor audit program and robust analytical capabilities that can fulfill the following functions:

- Reading, comparing, and logically linking multi-platform data outputs in a timely fashion
- Swiftly executing complex tests on files containing hundreds of thousands, if not millions, of records
- Accomplishing these tasks at a cost far lower than the rates charged by professional recovery companies

Clearly, what is needed is a non-intrusive, cost-effective application that entails only a short learning curve for internal staff. Effective use of specialized technology can assist staff in identifying a wide spectrum of overpayments due to error, oversight or outright fraud, saving the organization time and money. This technology must be capable of rapidly reading data that originates in many different systems and of executing complex tests against the data.

Furthermore, once these automated tests uncover overpayments, the organization can identify the weaknesses that allow these errors to occur. Steps can be taken to improve internal control systems to prevent such losses from recurring. The long-term savings from implementing these corrective measures can be considerable. As well, improved control systems provide additional assurance over the payment process that can generate improvements to overall business processes. By using continuous monitoring systems to test for overpayments, tasks can be streamlined without sacrificing system integrity. This results in operations that are more reliable and more efficient.

## ACL enables effective vendor audit programs that result in significant cost recovery

ACL provides business assurance that complements and completes business intelligence. ACL's whole solution gives organizations access to all their data and enables them to analyze, and independently validate data and transactions for integrity, in a fraction of the time once required. ACL's powerful analytics and robust capabilities have enabled tens of thousands of organizations around the world to achieve fast payback, reduce risk, assure compliance, minimize loss, and enhance profitability, while making decisions with speed and confidence. With ACL, organizations can trust their data and see results like never before.

ACL is a proven performer, with clients in 176 countries, including 83 of the Fortune 100 and nearly half the Global 500. ACL clients also include more than 500 national, state, and local governments on six continents, and all the Big 5 accounting firms.

*ACL offers a series of white papers on specific Business Assurance issues. They define the challenges, examine solutions, and provide practical illustrations of the ways in which organizations have achieved business assurance in particular areas.*

*For a copy of the ACL white paper on which this summary is based, please contact us at [info@acl.com](mailto:info@acl.com).*

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