

# Recovery Audit



# Best Practice: Continuous Recovery Audit

Decline in Recoveries By Year When Audit is Delayed

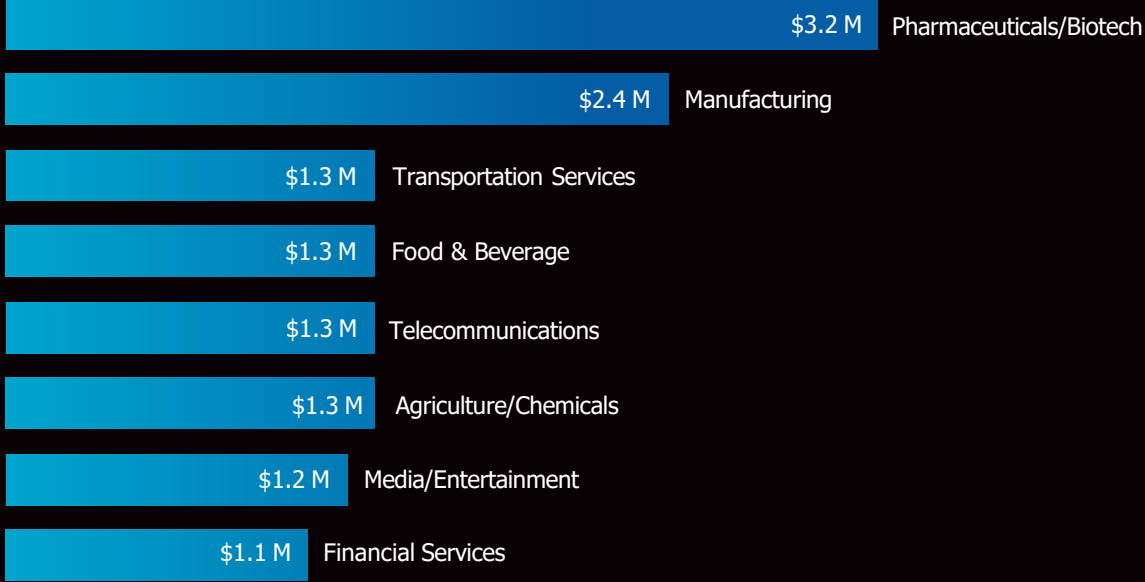


(Figure 16)

The data proves that a continuous recovery audit is a best practice. An analysis of recent apexanalytix audits representing \$4.5 trillion in spend shows that statement recoveries and duplicate recoveries are reduced by an average of 23% for each year you delay an audit after the first recovery audit. And companies aren't finding more overpayments internally during the years that they don't have a third-party audit. Internal teams recover an average of 43% less every year in statement credits and duplicates when they wait to do an audit.



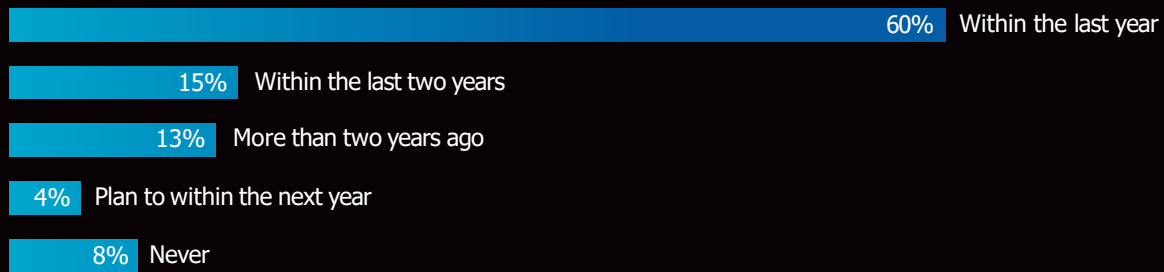
# Average Recoveries per \$10 Billion in Spend by Industry



(Figure 18: External Recovery Audit Findings as a % of Spend by Industry - Recovery Audit Following Internal Systematic and Manual Controls and Overpayment Recovery Efforts)

# Frequency of Recovery Audits by Respondents

The majority (60%) of survey respondents had performed a recovery audit within the last year, and an additional 15% had completed an audit with the last two years. Only 8% of the respondents said they had never performed a recovery audit and had no plans to do so.



(Figure 17)

60%

The majority of survey respondents had performed a recovery audit within the last year.

## Insight

- 1) All but one company whose AP is a profit center said they had performed a recovery audit within the last year; one had performed an audit within the last two years.
- 2) Every company who hasn't achieved AP profit center status has not performed a recovery audit in the last two years, if ever.
- 3) Industrial Manufacturing companies had the highest adoption of recovery audits, with five of the six responding companies in that industry indicating that they had performed a recovery audit within the last year. On average, apexanalytix audits for manufacturing companies return \$240,000 per billion in spend, 60% more than the average (\$143,000 per billion) for all industries, reinforcing the value of audits for the manufacturing industry sector.

# What's the Right Amount of Time to Support an Audit?

A best-in-class recovery audit should take just a few hours on the front end from AP and IT to acquire data. Once the audit is underway, the process should take just a couple of hours a week to meet on status, resolve and questions and approve claims.

# Recovery Audit: Why/Why Not?

According to the December 2020 apexanalytix/SSON survey<sup>9</sup>, identifying control gaps and obtaining process improvement recommendations were the top reasons that respondents said they did, or would, conduct a recovery audit (30 of 46 responses). Streamlining AP operations was the second most popular reason (27 responses). Recovering cash came in third.

# Best Practice Vignette: Audit Provides Insights into Gaps in Procure to Pay

## **Best Practice Vignette:**

*A business disruption caused Lori Foley, Director, Customer and Vendor Payments, Alaska Airlines to complete a recovery audit to get some cash in the door and get some feedback on control gaps.*

*The audit turned up large recoveries in warranty credits related to the company's maintenance programs, revealing a disconnect between AP and the supply chain group. As a result of the finding, Lori's team is now working closely with the supply chain buyer that does most of the work with the maintenance team to get a heads up on what AP should be expecting in credits and working directly with the vendors to gain access and visibility to those credits.*

*Lori Foley  
Director, Customer and Vendor Payments, Alaska Airlines*

<sup>9</sup> From 2020 Snapshot of Supplier Risk, Working Capital & Procure-to-Pay Controls benchmarking survey, Shared Services Outsourcing Network (SSON), London, UK. (Survey focused on shared services processes to manage supplier risk, working capital and accounts payable leakage: which tactics are currently in place, and how COVID-19 has impacted priorities, sponsored by apexanalytix). Copyright 2021 by SSON and APEX Analytix, LLC.