



What type and percentage of overpayments can be prevented with FirstStrike™?

Our prevention software is equipped to identify overpayments resulting from duplicate payments, paid credit memos, sales tax errors, cash discounts and pricing errors. The percentage reduction you can expect depends upon the type of overpayment, and typically improves over time. For duplicate payments and paid credit memos, an 80% reduction is reasonable in year one, getting to 95+% in year two. These errors can be handled 100% within Accounts Payable. For sales tax, cash discounts, and pricing discrepancies, the percentages are more difficult to calculate due to timing issues, tax compliance issues and contract interpretation. We would expect these to start in the 50-70% range and increase over time. As an example, FirstStrike™ provides an early warning sign that cash discounts are about to be missed, but discounts are still lost due to the inability to turn around documents quickly. For sales tax, we often find underpayments as well as overpayments. Regarding pricing errors, the frequency of flagged errors is very high, as these areas have historically not been monitored for compliance. Many pricing errors result from undisciplined processes surrounding contract negotiation and retention, and often require contract adjustments.

How does the prevention process work?

On a nightly basis, files are downloaded from your Accounts Payable system into FirstStrike™. Using complex algorithms and pattern matching, all new transactions are scrutinized to highlight those that represent high likelihood potential overpayments. A daily report of potential overpayments is e-mailed directly to an analyst for their review prior to payment release. The analyst is responsible for scrutinizing the list, usually taking one to four hours per day. Depending upon the circumstances, the analyst will either enter an offsetting credit to reverse the transaction prior to payment, destroy the check, or for an immediate pay ACH, may need to contact the vendor to arrange a refund.

How does your software interact with our existing ERP & legacy systems?

All new transactions are loaded daily into FirstStrike™ from one or more of your source payment systems.

Whether you are using SAP®, Oracle®, PeopleSoft®, JD Edwards®, legacy or any other ERP package, FirstStrike™ is a mirror reflection of the transactions in your ERP & legacy systems. The numbers are tied out daily or weekly to your financials to ensure all transactions undergo this overpayment checking. By offloading this work to another server, the error prevention process does not adversely affect the performance of your existing Accounts Payable system. Additionally, this offers the ability to flag errors crossing over multiple platforms.

How can you be sure the software is effective?

Conducting a historical audit is critical to validating the successful operation of the software. By implementing the software, you assume the role of primary auditor. We have experienced after-the-fact audits conducted by other recovery audit firms and of course, APEX Analytix. We have seen a reduction in recoveries (and consequently of fees) of between 80 & 98% through the use of the software. In a recent follow-up audit by PRG, the recovery audit findings were reduced from approximately \$3 million annually prior to the software to less than \$85,000. Parameters in the software were adjusted to reduce these findings even further for subsequent audits. As you can imagine, client feedback is extremely valuable to continuously refining the software's effectiveness.

Will the software create a significant workload for my staff?

There is no question that the software requires a knowledgeable staff member to review the overpayment reports on a daily basis. Materiality thresholds can be adjusted downward, to capture more overpayments, or upward, to minimize workload. Based on the experience gained from more than 30 client installations, we would expect that this requires ¼ FTE to ½ FTE for the Accounts Payable overpayments (duplicate payments & paid credit memos) for a shop that processes 1 million invoices annually. Additional resources will likely be necessary for the cash discounts, sales tax and pricing prevention process. By catching overpayments proactively, resources are minimized on the back-end by reducing the incidence of voided checks, refund checks, stop payments, and vendor collection efforts.

What level of IT resources is required to install your software?

The primary requirements to implement our FirstStrike™ prevention software are a server class computer to house the data, and a program to extract your daily A/P transactions. APEX has created pre-written extracts for SAP®, Oracle®, and PeopleSoft® to reduce IT resources required, and to ensure that the data ties out 100% to your financial system(s) of record. Our implementation staff will work with your IT staff to confirm server specifications, demonstrate how to use our pre-written extracts, map any additional fields that you would like available for reporting purposes, and tie out the data to your financial systems. If legacy systems are involved, we will provide a field mapping describing the fields that need to be extracted, and go through the same verification process versus your financials. Once the hardware and the extract are verified, our installation takes 2-3 days on-site at your location to confirm proper operation. As we have over 20 successful client installs, APEX Analytix can provide IT references to further discuss resource requirements.