



FREQUENTLY ASKED QUESTIONS

What is an Accounts Payable Audit?

An Accounts Payable Audit engagement is performed with the specific goal of identifying processing errors in the accounts payable department through your historical files. Basically, we review invoices, contracts, purchase orders, receivers, statements and any other pertinent documents checking for overpayments and under deductions.

Eagle Associates assists corporate executives and managers in finding ways to save money, cut costs, recover lost profits, and improve ongoing profit performance. We review and analyze policies, procedures, and contractual obligations, and we initiate and manage the recovery process.

Why audit accounts payable for recoveries?

- To recover lost profits and to determine the root cause of those lost profits.
- Because errors occur regardless of the sophistication of staff and procedures in place.
- To highlight and then close communication gaps between accounts payable and purchasing and shipping/receiving departments.
- To highlight problem vendors.
- To obtain recommendations to prevent future lost profits and enhance internal systems and controls.

How much of your staff's time is required during and after the audit?

- A 30 to 60 minute in-briefing, to obtain the necessary data and gain an understanding of your systems and procedures, and out-briefing meeting, to review on-site findings and what will take place off-site, are required at the commencement and end of the on-site portion of the audit with the Controller or VP of Finance, Director of Purchasing and Accounts Payable Manager.
- During the course of the audit, we need no staff time, except for the occasional question and its explanation. Your staff can go about its daily routine with minimal disruption.
- Our staff performs all analysis, pulls and accurately re-files all documentation and follows up until recovery is complete. Often times the files are left in better condition than when we arrive because we find documents that have been misfiled and put them into their appropriate folders.

Does your organization need an Accounts Payable Audit?

Most companies ask this question, usually followed by one or more of the following statements:

- We have a very sophisticated computer system and software package.
- We have a very competent staff and a low turnover rate in our department.
- We have had the service performed within the last 2 - 3 years.

Virtually every client has made one of these statements in the early stages of our relationship and in almost every case we have found substantial savings through the use of our service. The key point we would like to stress is that every system, regardless of its sophistication, contains some human error. If your system is 99.9% efficient, you are losing \$1000.00 per one million of payables. Imagine a 4 to 6% loss!

The real issue is one of convenience and eliminating the hassles, perceived extra work and when to schedule the service in an already hectic environment. The fear outside auditors can generate is also an issue. We are very aware of these concerns and strive to provide a complete service including follow-up so we do not leave an already overburdened staff any extra work. Our job is not to point fingers or disrupt your staff members. Our job is to provide a professional check of your system and to provide each staff member and management with information which will make the entire department more accurate and efficient.

- Organizations of all sizes with all types of internal controls, sophisticated computer software and competent staff can benefit from your service.
- An internal audit team does not generally target the Accounts Payable Department and they never perform an invoice by invoice audit of your current and historical files, as we do.
- Another point of control, an A/P audit is a tool which will gauge the success of your current policies and procedures.
- An A/P audit will generate an influx of cash which will be reflected directly in your organization's bottom line and was found with no financial risk to the organization.
- We have never been involved in an audit engagement where we did not find lost revenues. Many of our engagements have yielded substantial findings.

What are the time and space requirements to perform an accounts payable audit?

- Time on site varies from one week to one month and will vary with the size and complexity of each organization. Average one to two weeks. Remaining part of audit is conducted offsite. We will schedule at your convenience.
- We need a contact person in the accounts payable department to answer any questions which may arise.
- We need a place for 2 to 4 people to work, one small room or 2 to 3 workstations is sufficient.
- Access to a copier, telephone, fax, and your files are all that we require. In some cases, we need access to a computer terminal.
- Access to vendor contracts and purchasing department staff.

What will my staff think about an accounts payable audit?

Your staff may feel threatened and or somewhat intimidated by outside auditors at first. After we have been on-site 1 to 2 days, the staff generally relaxes and realizes we are there to find problems within the system and not with specific individuals.

The Accounts Payable Manager may have a similar reaction and will probably feel that we may leave him/her with a lot of extra work and perhaps wreak havoc upon the files. We assure you that neither will occur and our references and past performance will confirm this statement.

The one thing that every staff member is concerned with is operating efficiently and saving his/her firm money. Our service is aimed at helping you and your staff do just that!

What if I'm engaged in a large project; internal audit, computer system installation, fiscal year end, budget planning, hiring, etc...?

We have encountered no problems working in an Accounts Payable department that has a major project or change taking place. As a matter of fact, it probably happens more times than not! We have had long term clients, for example, actually schedule their A/P audit coinciding with their year end audit because they found we required no time from their staff and commented on how amazed they were that we did not interrupt their daily routine.

Correcting system errors and saving money in the Accounts Payable Department is a lot like plugging leaks in a sinking ship. It's a priority! We can help add dollars to your bottom line and work around any project you may have in progress!

How are lost funds recovered?

- We prepare claims and backup documentation for submission to vendors and request refunds to be in the form of either a credit memo, if you have open invoices with the vendor against which you can take the credit, or a refund check. We provide you with a set of the claims and we maintain a reference set in our office as backup or should questions arise during the audit.
- All claims are accompanied by a letter stating that you are undergoing an internal audit and found discrepancies for which you are requesting a refund. Vendors are given a time frame in which to respond and if they don't are told that you will take the credit against a future payment if they do not respond.
- We offer complete follow-up service and assistance.

What will an Accounts Payable Audit cost?

- No up front cost whatsoever.
- Contingent percentage fee-based service. We don't make money unless you do!
- Client neither invests nor risks anything, yet stands to gain a minimum of 50% of the funds recovered.
- A better question is, "What is it costing if you do not have this service performed?"

If we already perform similar audits, won't this be a waste of time?

Internal routines that develop over time can hide savings opportunities in addition to the fact that internal audits or year end audits tend to concentrate on policy and procedure. A comprehensive examination of all transactions will identify opportunities for recovery. In fact, even if you have an outside audit firm performing this service, a secondary audit can sometimes yield significant results if the audit firms concentrate their reviews on different areas or if one firm concentrates only on your larger vendors, what we term "cherry picking" instead of reviewing all vendors.

What factors increase the chance of lost profits?

- Rapid growth
- System conversion
- Employee turnover
- Using temporary people from temp agencies
- Large disbursement volume
- High volume of vendors
- Mergers and acquisitions
- Changing prices

What are typical recoveries?

- Duplicate payments
- Overpayments
- Incorrect vendor payments
- Payments for products or services not received
- Unprocessed product returns
- Deductions (allowances/rebates/discounts) due but not taken
- Price protection claims not processed/calculated
- Unresolved price variances
- Overlapping bills
- Paying taxes when tax exempt
- Excessive freight charges
- Insurance charges
- Contract discrepancies

How long before we see real results?

Once claims are submitted and received by vendors refunds can be realized in as little as 30-60 days. Collection of all funds can take anywhere from 90-150/180 days.

Are all Accounts Payable Audits and audit firms the same?

No! What sets Eagle Associates apart?

- Thoroughness - We perform a complete audit of all your vendor files for the time frame specified.
- Commitment - We are committed to establishing a long term professional relationship with our clients and we are committed to their complete satisfaction with our service.
- Dedication - We are dedicated to providing a service you will find helpful in managing and controlling your accounts payable department with no up front cost and the longest, most advantageous payout terms of any firm in the accounts payable auditing industry.
- Professionalism - Our goal is to perform a service which adds real value to both the bottom line, accounts payable staff and the management of staff of the organization being audited. We strive to do this with our experience, knowledge, complete follow-up assistance and a thorough report and evaluation based on our findings.

Why Select Eagle Associates as your primary audit firm?

- We provide a focused and proven methodology to identifying and recovering overpayments and under-deductions with accuracy and speed.
- We do all of the leg work and confirm 100% of our claims with your vendors so there are no bad claims. Our audits are designed to be minimally intrusive to your staff's time and, once the project is started, on average it takes one of your staff members less than one hour per week.
- Each claim is accompanied with all back-up to include vendor contact information and error codes so that at the end of the project we can provide a comprehensive report along with a root cause analysis and appropriate, practical recommendations.
- We do all of the actual recovery work and we do not get paid until funds are actually recovered. Identifying and researching potential overpayments is one thing but the actual recovery is more difficult. Because we are experts at this, we have many contacts within your vendor base so we know who to contact.
- We will put a consistent team on this project and, because we have performed hundreds of these audits we audit 100% of your disbursements efficiently and effectively.
- We are extremely professional and will not harm your vendor relationships. We treat your vendors as if they were our Clients.

How will an accounts payable audit benefit your organization?

- Increased revenues, recovery of funds which would otherwise be lost to your organization.
- Increased Accounts Payable System efficiency.
- Increased knowledge of effectiveness of system and policies in place.
- Even if your system operates at 99.9% efficiency, that tenth of percent represents \$1000.00 in lost revenue for every one million dollars processed.
- Hassle-free, results-oriented service with no up front fees or cost. No client risk involved. A win-win situation!

What about references?

- We will supply references upon request.
- We maintain the strictest confidentiality as to our findings and always obtain permission prior to mentioning or using a client as a reference.

When should we have this service performed and how often?

The best time to perform a recovery audit is now. As time passes, the opportunity for recovery decreases. It is recommended that an audit be performed every two years

because most accounts payable departments keep two years worth of payables on file and readily accessible and waiting longer than that makes it more difficult to recover funds.

Please be sure to ask our References about:

- How much client staff time is required for an Accounts Payable Audit?
- Were interruptions of client staff a problem during the audit?
- How much follow up was required by client staff after the audit?
- What condition did Eagle Associates leave the files in after the audit?
- The overall value of an accounts payable audit.
- The professionalism of Eagle Associates staff.

Eagle Associates recognizes that it's a competitive world and that you have numerous choices when selecting an Accounts Payable Audit firm. We believe asking the appropriate questions when speaking to our references will narrow the choices and simplify the selection process.

HIGHER PROFITS, HIGHER EFFICIENCY, HIRE SUCCESS...EAGLE ASSOCIATES, THE FIRM OF CHOICE!