



## **Recovery Audit: Why Companies Hesitate to Pursue Such a Good Investment?**

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It is no secret that sales are down due to the current economic situation. Some companies have been forced to reevaluate their overhead and downsize their internal structures and even, in worst cases, reduce product and service offerings. But there are some options out there to help ease-- if not eliminate- these unfortunate measures.

Many companies underestimate the power of a recovery audit and what it can do for their bottom line. Often, this is because of misconceptions about the profit recovery process or reservations about what a recovery audit firm might uncover about their own internal processes and handling of vendor relationships. But profit recovery firms should not be typecast into such a negative role. In addition to the actual recovery audit, recovery audit firms take the additional step to not only examine a company's Accounts Payable and Accounts Receivable (*AP/AR*) internal processes during the audit but offer their recommendations for improving these processes, presenting their findings in the most professional manner upon completion of the audit. And these suggestions for improving a company's internal processes can be more valuable than the dollars recovered in the audit itself.

In this article, we will look at some of the more prominent reasons why companies are hesitant to pursue a Recovery Audit. On the surface, these reasons are legitimate but can generally be overcome if examined and worked through, as we will. The reasons include:

- Priorities and an Understanding of Recovery Audits
- Financial Limitations
- Fear of Exposure
- Economic Climate

### ***Priorities and an Understanding of Recovery Audits***

Companies are concerned with meeting objectives and targets. Naturally, these goals tend to be based on forecasted sales and, as such, much of the company's efforts go toward improving sales. As executive level management focuses on forecasted sales to add to their bottom line, they could also be looking back at past sales and transactions in search of money already earned and owed to the company. This is called a *Recovery Audit*. A Recovery Audit can be considered a helping hand- an extra pair of meticulous eyes- for reviewing a company's Accounts Payables and Accounts Receivables. The truth is that no part of a company's team is falling down on the job. In fact, 99.8% of the cash due to a company is successfully retrieved by the company's *AP/AR* staff and their established processes and systems. A profit recovery firm can help to retrieve 100% of the cash due to a company. Recovery audits are a standard business practice across industries such as retail, distribution, manufacturing, utilities, communications, hospitals and not-for-profit organizations. Each year, recovery audits deliver billions of dollars to many organizations' bottom lines; dollars that would be otherwise lost due to inevitable human and system error.

Many executives are removed from the day-to-day operations and do not have the opportunity to maintain direct involvement in the operational tasks and responsibilities of their *AP/AR* departments when it comes to the ins-and-outs of spending, payment and vendor relationships. Rather they can only evaluate the 'big picture' that is the outcome. At the lower levels, the *API AR* staff is tasked with balancing multiple duties and problems and oftentimes is forced to choose to address only the problems they see as a top priority. And the addition of distractions and pressures can quickly result in human error. Enlisting the services of a recovery audit firm can help alleviate these errors, yet they remain at a little low priority.

### ***Financial Limitations***

Another concern is the cost involved with recovery auditing. If a company is interested in a recovery audit, they might be limited to handling the audit internally since most AP/AR departments do not have the budget, staff, recovery audit knowledge or technology to perform the auditing process, which requires sizable manpower and hours to collect and research data and perform the appropriate contact and follow-up collections with vendors. Having an outside party will produce unbiased results, provide an expendable staff that can handle all facets of the audit and impartially contact vendors to present their findings to successfully collect any owed money.

An important thing to note is that most firms are only paid once they find and recover lost money for their client. This typically equates to only a small percentage of the amount recovered. This eliminates any major up front financial commitments so the company can focus on the actual recovery audit realize the benefits the recovery audit brings to the company and its bottom line.

### ***Fear of Exposure***

Although a delicate matter, often staff within a company will notice that errors are being made but might avoid addressing the problem if, for example, it is not in their department or to avoid having the responsibility of finding an error in their internal process. Even if the problem is acknowledged, companies fear that bringing in a recovery audit firm will highlight the company's weaknesses and perhaps even cause embarrassment by revealing that the company is inefficient and vulnerable to mistakes. And when it comes time to approach vendors regarding payment or invoice issues, the company could come across as incapable or, even worse, damage the relationship with the vendor.

These are very legitimate concerns, and the truth remains that accounts payable errors are common among companies in all industries. Mistakes from human error such as overpayments are inevitable but should not go uncorrected. A recovery audit firm will treat the company's employees with absolute respect and do the same for their vendors. The presence of an outside firm will also help to strengthen the company's internal relationship as well as to build stronger, more connected vendor relationships.

### ***Economic Climate***

The recession is one of the most public reasons to avoid doing anything that costs money. The economic downturn has put a fear mentality in many companies, causing them to freeze anything that looks like it may involve spending, greatly affecting any risk-taking. While practicing caution during this economic climate is necessary, it's important to note that the situation is out of any business's hands. This downtime can be a great opportunity for a company to reflect and fine-tune its internal procedures while uncovering missing revenue already earned and owed to the company. All of this can be achieved with a Recovery Audit firm. The improvement of internal systems and procedures and the efficiency and profitability of a business is well worth the little to no cost of a recovery audit.

GALOSI, a Dallas, TX-based Recovery Audit firm, provides some of the most specialized, detailed recovery audit services with the use of a highly experienced, driven team and client-customized auditing software. They pride themselves on their fair, professional conduct during the audit process and handling claims with their clients' vendors. GALOSI comes with hundreds of years of combined expertise on a proven track record for having recovered millions of dollars for existing clients across numerous industries. Feel free to contact GALOSI with any questions about the Recovery Audit process and what it can do for your company.