Supply Chain Risk Overview

Today's Focus

Supply Chain Risk Overview

ENABLING PROCESSES

Supply Chain Transformation

Assess  Design  Implement

- Increased Customer Satisfaction
- Enhanced Supply Chain Continuity
- Improved Profitability and Shareholder Value
- Improved Process Performance

- Improved Supply Chain Integration
- Improved Systems Performance
- Continuous Improvement
- Greater Organizational Effectiveness

BENEFITS

* Includes Working Capital benefits

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Overview of Procurement

Most organizations **spend 20% to 70% of their revenues procuring third party goods and services**. This expenditure presents very significant opportunity and risk. Risks include the loss of cash, supply continuity, delivery performance and quality, outsourcing risk, process inefficiency, legal and regulatory compliance and fraud. From an opportunity perspective, **dollars saved through procurement activities flow directly to the bottom line**.

Key Procurement Processes:

- **Strategic Sourcing** is the process to analyze spend and determine the best supply base and sourcing strategy to follow for each spend category. Strategic sourcing establishes the way companies execute the procurement process.

- **Contract Management** is the process of creating and managing contract templates and libraries, creating and approving contracts, managing contract administration and changes, and monitoring contract performance and compliance.

- **Purchasing Execution and Control** is the transactional component of creating a requisition, creating and issuing a Purchase Order and processing the payment, including supplier master file management.

- **Supplier Management** is the process of measuring and monitoring supplier performance, certifying suppliers, and strategic integration with selected suppliers through Supplier Relationship Management.

Understanding and mitigating procurement and accounts payable risks while optimizing procurement capabilities is among the most effective and least painful ways for companies to enhance controls while delivering and sustaining value-added improvements and higher profitability.
Accounts Payable Process – Key Activities

- Invoice Receipt, Archiving and Storage
- Invoice Validation, Reconciliation and Audit
- Routing and Approval
- Disbursement Planning
- Settlement
- Handling Vendor Queries
- Visibility / Access to Spend Data

Business Reality

- Duplicate Payments/Unapplied Credits
- Pricing/Receiving Errors
- Lost Discounts/Missed Discounts
- Fraud
- Supplier Contract Non-Compliance
- Sub-Optimized P2P Processes

Opportunities

- Enhanced P2P Processes
- Financial Recovery
- Improved Purchase Power
- Reduced Spend
- Clean, Manageable Data

Source: Aberdeen Group, March 2007
Trends in Internal Audit Focus / Coverage Considerations

Possible P2P Implications

- Financial risks – 41% have increased coverage
- SOX – 64% remained the same or decreased
- Operations risks – 47% increased coverage
- Compliance risks – 65% decreased or remained the same
- Credit and liquidity risks – approximately a third increased
- Effectiveness of risk management – 35% have increased coverage
- Company exposure to 3rd parties in financial distress – 39% have increased coverage
- Cost reduction/containment – 47% increased coverage
- Model validation – 47% decreased or remained the same
- Off-shoring/vendor risks – 19% increased
- Reputational risk – 69% remained the same or slightly decreased

Source: 2009 GAM Presentation by Richard Chambers, President of the IIA
So What Does this Mean for P2P?

Possible Focus Points

The purchase-to-payment process (P2P) attracts more auditor scrutiny and fosters more management concern than virtually any other business process. Companies face a number of risks associated with their P2P process including financial leakage, internal control issues, and operational risks.

Fraud – Revenue and Procurement

- Revenue recognition
- Procurement
- Embezzlement
- FCPA

Working Capital and Cash Management

- Days Sales Outstanding
- Days in Inventory
- Days Payables Outstanding
  = Total Days “Trapped” in Working Capital

Controls Automation

- Manual controls cost more to execute and to audit
- Automated controls can provide higher levels of assurance
- Maximize the ERP effectiveness

Cost Containment and Reductions

- Organizational control structure/span of control
- Third-party contract administration, including outsourcing agreements
- Construction and capital projects
- Sales commissions
- Vendor payments and contract compliance, including erroneous payments
- Overtime payments
- Revenue assurance
- IT infrastructure spend
- SOX costs

The Internal Audit Process Itself

- Data mining and CAATs
- Smarter, better, quicker
- Look at all components – planning, execution of fieldwork and reporting
- Measure, benchmark and improve
- Support the audit process with technology

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## Internal Audit Coverage Considerations for A/P

### Focus and Scope Options

<table>
<thead>
<tr>
<th>Traditional Audit Focus</th>
<th>Potential Other Areas for IA Consideration / Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SCOPE --</strong> Typically direct materials and possibly capital equipment.</td>
<td><strong>SCOPE --</strong> Includes all 3rd party expenditures (direct / indirect materials, services, capital, utilities, etc.)</td>
</tr>
<tr>
<td>Transactional controls and compliance around purchasing execution (primarily). General risks covered include:</td>
<td>• Traditional transactional controls and compliance around purchasing execution (including general risks) <strong>PLUS</strong></td>
</tr>
<tr>
<td>– Access to and control of supplier master file</td>
<td>• Process / Capabilities assessment, covers purchasing execution as well as: strategic sourcing, contract management, and supplier management.</td>
</tr>
<tr>
<td>– Expenditure authorization limits and purchase approvals</td>
<td>• Spend Assessment covering 100% of total spend.</td>
</tr>
<tr>
<td>– Segregation of duties (access to supplier master file, PO creation, receiving, and invoice processing)</td>
<td>• Benchmarking, analysis of results, and recommendations to improve cost effectiveness, staff productivity, process efficiency, and cycle time.</td>
</tr>
<tr>
<td>– Compliance with bidding policies (3 bid minimum)</td>
<td>• Other potential areas / sources of operational risks:</td>
</tr>
<tr>
<td>– AP processing: 3-way match controls, invoice overrides, invoice holds and approvals</td>
<td>– Spend reduction</td>
</tr>
<tr>
<td>– Use of preferred suppliers,</td>
<td>– Decreased maverick spend</td>
</tr>
<tr>
<td>– Control over non-PO purchases and non-PO invoice processing</td>
<td>– Overall procurement process and policy improvement</td>
</tr>
<tr>
<td>– Credit notes and other adjustments may not be accurately calculated or recorded.</td>
<td>– Cycle-time reduction</td>
</tr>
<tr>
<td>– All purchases may not recorded via PO (no visibility of outstanding commitments and required accruals)</td>
<td>– Enhanced procurement monitoring and reporting</td>
</tr>
<tr>
<td>– Service purchases or non-PO invoices may not be appropriately verified and approved prior to processing for payment</td>
<td></td>
</tr>
</tbody>
</table>
Internal Audit Coverage Considerations for A/P

**Benefits**

<table>
<thead>
<tr>
<th>Traditional Audits</th>
<th>Potential Other Areas for IA Consideration/Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identification of transactional processing control gaps and recommendations.</td>
<td>• Identification of transactional processing control gaps and recommendations <strong>PLUS</strong></td>
</tr>
<tr>
<td></td>
<td>• Benchmark current organizational performance against industry peers and leading practices to determine opportunities for process improvement and cost savings.</td>
</tr>
<tr>
<td></td>
<td>• Identification of risks and opportunities for:</td>
</tr>
<tr>
<td></td>
<td>‒ Reduction in supply interruption risk, leverage spend for cost savings, proactive procurement risk management, decrease time to market for new products</td>
</tr>
<tr>
<td></td>
<td>‒ Identification and quantification of financial leakage, recovery of overpayments, and improving master data integrity.</td>
</tr>
<tr>
<td></td>
<td>‒ Improved contract compliance (milestones, pricing, quality, performance), reduction in legal risk exposure, reduce maverick spend to fully realize potential cost avoidance and cost savings opportunities</td>
</tr>
<tr>
<td></td>
<td>‒ Improved supplier performance around quality, lead times, communication, data integrity, etc.</td>
</tr>
<tr>
<td></td>
<td>‒ Supply base consolidation and rationalization, identification of opportunities to improve commodity management around replenishment planning and excess and obsolete control, material standardization, etc.</td>
</tr>
<tr>
<td></td>
<td>‒ Identification of risks and improvement opportunities across all aspects of risk management infrastructure (Strategy &amp; Policy, Process, People &amp; Organization, Management Reporting, Methodologies, Systems &amp; Data), where as traditional audits just look at process component.</td>
</tr>
</tbody>
</table>
## Potential Focus Points and Impact Opportunities

<table>
<thead>
<tr>
<th>Area of Focus</th>
<th>AP Recovery</th>
<th>Procurement Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td></td>
</tr>
<tr>
<td><strong>Cash Recovery</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Duplicate Payment Identification and</td>
<td></td>
<td>Duplicate Payment IDen</td>
</tr>
<tr>
<td>Recovery</td>
<td></td>
<td>tification with Sample</td>
</tr>
<tr>
<td>Vendor Statement Review</td>
<td></td>
<td>Testing</td>
</tr>
<tr>
<td>Selected Vendor Contract Review</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Working Capital Improvements</strong></td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Procurement Process Review</strong></td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>**Spend Classification and Sourcing</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Review</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Typical Opportunity</strong></td>
<td>0.1% of Spend</td>
<td>6% – 11% of Spend</td>
</tr>
</tbody>
</table>

**Process Improvement Opportunity Identification**

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Sample Data Analysis Activities
Data Analysis Approach Overview

Project Management and Communication

Key Tasks

1. Planning & Data Request
   - Identify opportunity
2. Research possible solutions
3. Design & assessment
4. Acquisition & Validation
   - Acquire data
5. Load data
6. Validation & profiling
7. Analysis & Testing
   - Basic analysis
8. Findings & presentation
9. Wrap-up
   - Produce final report
10. Project closing
CAAT’s Examples for Consideration

### Procure-to-Pay Examples

- **Vendor Master File Analysis** (Address, PO Boxes, phone numbers between vendors to identify duplicates)
- # of Inactive Vendors with Activity
- Payments to Inactive Vendors
- Duplicate Vendors, Invoices, Payments
- Vendor to Employee Match (SSN/TIN, Address, Phone Number)
- Benford’s Law Analysis - Invoice, Payments, PO, and/or Credit Analysis
- Missed Discounts – Late Payments
- Authorization and Analysis of PR, PO, Invoice, and Payment

- **Aging and Analysis of AP and Credit Processing**
- Holiday Activity
- Void/Reissue Payment Analysis
- Pricing Books – Accuracy of the Amounts, How often Prices are Monitored for Changes, and How Freight and Sales & Use Tax is Accounted for
- Payment Gap Analysis
- User Analysis between Vendor Setup, Voucher, and Payment Processing
- Analysis of Debit Memos/Adjustments
- Analysis of Voucher Reversals/Re-Entry
- Analysis of Overpayments/Refunds (unused credits)
Example Output and Analysis Results

**Duplicate Payments**

Example: “$3.5m duplicate payments recovered; $2m in working cap reduction”

**Approach**
- Standardize Favorable Payment Terms
- Assess Procurement Transactions
- Evaluate Vendor Master File for Cleanup Opportunities
- Determine Potential for Profit Recoveries
- Data and Spend Analytics: A/P, P-Cards, T&E, Claims, Contract Compliance and Fraud
- Assessment of Purchasing and AP Operations

**Benefit**
- Reduced Financial Leakage
- Immediate Cash Flow Benefits
- Apply Unused Credit Memos
- Working Capital Benefits
- Reduced Risk of Fraudulent Activity
- Purchase Order Processing Efficiency

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![Chart showing payment demographics and cost components of the purchase-to-pay process.](chart.png)
Example Output and Analysis Results
Supplier Master File

Analysis of the supplier master file can not only be a useful tool in the assessment of potential risk for fraud, it can also be a valuable source of information on potential duplicate payments and/or other misaligned information.

### 28,029 Active Suppliers
18,702 in assessed system 1 (67%); 9,327 in assessed system 2 (33%)

#### Step 1 – Consider Inactivation
- Suppliers with No Activity since 11/1/2006: 17,706 (63%)
- Suppliers with No Activity in the last 24 months: 359 (1%)
- Suppliers with No Activity in the last 18 months: 872 (3%)

- 63% of suppliers (17,706) had no payment activity since 1/1/2006
  - 68% of suppliers (18,937) have had no payment in the last 18 months
- Of the suppliers for inactivation consideration:
  - 66% are from assessed system 1
  - 34% are from assessed system 2

#### Step 2 – Review / Update
- Duplicate Suppliers: 1,711 (6%)
- Suppliers With Missing Address Information: 70 (0.2%)
- Suppliers With Missing Federal IDs (FEIN) – US only: 26 (0.1%)
- Suppliers with Invalid FEIN Information – US only: 1,414 (5%)

- 1,711 suppliers are identified as potential duplicates
  - 33% are from assessed system 1
  - 67% are from assessed system 2
- 1,510 suppliers are recommended for updates and/or additional data
  - 62% are from assessed system 1
  - 38% are from assessed system 2

A well-controlled SMF reduces the risk of financial leakage and fraud while increasing processing efficiency and management analysis.
Example Output and Analysis Results
Spend Management: Analyze Supplier Fragmentation

Example: “$13m savings in the first year through consolidation of supply base.”

**Approach**
- Assess Strategic Sourcing Opportunities
- Standardize Specifications
- Aggregate Volume of Demand
- Forecast Visibility
- Rationalize Supplier Base
- Assess Management and Monitoring of Procurement Transactions
- Contract Compliance
- Supplier Feasibility Analysis

**Benefit**
- Enhanced product quality due to optimized specifications.
- Managed supply based and enhanced on-time delivery through performance monitoring and partnering.
- Lower Price for Materials and Services
- Lower Inventory Costs
- Demand Analysis to Help Inventory and Forecasting
- Reduced Risk of Supply Interruption
<table>
<thead>
<tr>
<th>G/L and Journal Entry Examples</th>
<th>Travel and Entertainment Examples</th>
<th>CAAT’s Examples for Consideration (cont’d)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Benford’s Law on Journal Entries by User</td>
<td>• Spend by Employee</td>
<td></td>
</tr>
<tr>
<td>• Journal Entries identifying outliers (Uncommon Accounts, Profit Centers, Cost Centers)</td>
<td>• Analysis of Expenses by Employee (just below threshold, comparison of employees expensing duplicates, expensing airfare but no hotel (vice versa), expensing car but no airfare, etc)</td>
<td></td>
</tr>
<tr>
<td>• Manual Round Dollar Entries</td>
<td>• Analysis of MCCG and MCC of T&amp;E or P-Card Transactions</td>
<td></td>
</tr>
<tr>
<td>• Unusual Posting Dates/Times</td>
<td>• Benford’s Law Analysis on Employee Expenses</td>
<td></td>
</tr>
<tr>
<td>• Analysis of Split Entries (Entries just below Approval Threshold)</td>
<td>• Expense Dollar and Volume Stratification</td>
<td></td>
</tr>
<tr>
<td>• Analysis of Suspense, Clearing, and Intercompany Accounts</td>
<td>• Inactive Employee Spend Analysis</td>
<td></td>
</tr>
<tr>
<td>• Credits vs Aged Invoices</td>
<td>• Spend by Expense Type</td>
<td></td>
</tr>
<tr>
<td>• Reversed Month End Journal Entries</td>
<td>• Large Dollar Expenses Identification</td>
<td></td>
</tr>
<tr>
<td>• Entries within Accounts</td>
<td>• Non-Timely Expense Submission</td>
<td></td>
</tr>
<tr>
<td>• Inactive Accounts Entries</td>
<td>• Expense Analysis by Category (e.g., Airfare, Office Supply, Cell Phone, Professional Dues)</td>
<td></td>
</tr>
<tr>
<td>• Calculate and sort percentage variances in GL accounts between periods</td>
<td>• Per Diem Expense Identification and comparison to trips, policy threshold, and potential duplicates in meal reimbursement and per diem</td>
<td></td>
</tr>
</tbody>
</table>
Procurement Process Review

Fraud Indicator Overview

Reviewing fraud indicators is part of our comprehensive approach and is effective for financial risk mitigation.

Examples:

Payments After Termination

<table>
<thead>
<tr>
<th>Employee</th>
<th>Termination Date</th>
<th>Last Payment Date</th>
<th>Days Difference</th>
<th>Payee Name</th>
<th>Payment Count</th>
<th>Payments to Employee</th>
</tr>
</thead>
<tbody>
<tr>
<td>John Smith</td>
<td>XXX</td>
<td>XXX</td>
<td>XXX</td>
<td>John Smith</td>
<td>XX</td>
<td>$XXX</td>
</tr>
</tbody>
</table>

Employee vs. Deceased Master File

<table>
<thead>
<tr>
<th>Employee Name</th>
<th>SSN</th>
<th>City</th>
<th>State</th>
<th>Status</th>
<th>Terminated</th>
<th>Death master SSN</th>
<th>First Name</th>
<th>Last Name</th>
<th>Death Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>John Smith</td>
<td>XXX-XX-XXXX</td>
<td>XXX</td>
<td>XX</td>
<td>XXX</td>
<td>XX</td>
<td>XXX-XX-XXXX</td>
<td>Jane</td>
<td>Williams</td>
<td>XX</td>
</tr>
</tbody>
</table>

Invalid Social Security Number

<table>
<thead>
<tr>
<th>Validation</th>
<th>SSN</th>
<th>Name</th>
<th>Job</th>
<th>Description</th>
<th>Address1</th>
<th>Address2</th>
<th>City</th>
<th>State</th>
<th>Zip</th>
<th>Status</th>
<th>Terminated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bad - Invalid Group</td>
<td>XXX-XX-XXXX</td>
<td>John Smith</td>
<td>XXX</td>
<td>ABC Lane</td>
<td>XXX</td>
<td>XXX</td>
<td>XX</td>
<td>XX</td>
<td>XXX</td>
<td>XXX</td>
<td>No</td>
</tr>
</tbody>
</table>

Employee vs. Vendor Address

<table>
<thead>
<tr>
<th>Employee Name</th>
<th>Employee Key</th>
<th>Employee Address</th>
<th>City</th>
<th>State</th>
<th>Vendor Name</th>
<th>Vendor Address</th>
<th>Vendor City</th>
<th>Vendor State</th>
</tr>
</thead>
<tbody>
<tr>
<td>John Smith</td>
<td>XXXXXXX</td>
<td>ABC Lane</td>
<td>XXX</td>
<td>XX</td>
<td>ABC Company</td>
<td>DEF Avenue</td>
<td>XXX</td>
<td>XX</td>
</tr>
</tbody>
</table>
Selected Metric Considerations
## Selected Accounts Payable Metrics

<table>
<thead>
<tr>
<th>Cost Effectiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total cost per invoice processed</td>
</tr>
<tr>
<td>Total cost per invoice line item processed</td>
</tr>
<tr>
<td>Total cost per FTE</td>
</tr>
<tr>
<td>Personnel cost as % of total cost</td>
</tr>
<tr>
<td>Personnel cost per FTE</td>
</tr>
<tr>
<td>Systems cost as % of total process cost</td>
</tr>
<tr>
<td>Systems costs per $100,000 Revenue</td>
</tr>
<tr>
<td>Systems costs per $100,000 Purchases</td>
</tr>
<tr>
<td>Total process cost per $1,000 Revenue</td>
</tr>
<tr>
<td>Total process cost per $1,000 Purchases</td>
</tr>
<tr>
<td>Staff Productivity</td>
</tr>
<tr>
<td>No. FTE’s per $1Billion Revenue</td>
</tr>
<tr>
<td>No. FTE’s per $1Billion Purchases</td>
</tr>
<tr>
<td>No. expense report line items processed annually per FTE</td>
</tr>
<tr>
<td>No. invoice line items processed per FTE</td>
</tr>
<tr>
<td>No. of invoices processes per FTE</td>
</tr>
<tr>
<td>Value of purchases (millions) per FTE</td>
</tr>
<tr>
<td>No. of disbursements per FTE</td>
</tr>
<tr>
<td>No. FTE’s to process “expense reimbursements” per $1Million T&amp;E Expenditures</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Process Efficiency</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of invoice line items that are matched the first time</td>
</tr>
<tr>
<td>% of invoices which are manually keyed into the G/L</td>
</tr>
<tr>
<td>% use of EDI for receiving invoices, and for entering into the system</td>
</tr>
<tr>
<td>% of invoice line items paid on time</td>
</tr>
<tr>
<td>No. invoiced line items per $1,000 purchases</td>
</tr>
<tr>
<td>% of discounts available that are taken</td>
</tr>
<tr>
<td>% of disbursements that are first time error free</td>
</tr>
<tr>
<td>% of invoice line items matched with a PO</td>
</tr>
<tr>
<td>No. expense report line items processed per $1,000 Purchases</td>
</tr>
<tr>
<td>% of T&amp;E expenditures using cash advance</td>
</tr>
<tr>
<td>% of expense report exception line items</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cycle Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>C.T in days to resolve an invoice error</td>
</tr>
<tr>
<td>C.T in days from receipt of invoice until approved/scheduled for payment</td>
</tr>
<tr>
<td>C.T in hours to enter invoice data into the system</td>
</tr>
<tr>
<td>C.T in days from receipt of invoice to payment</td>
</tr>
<tr>
<td>C.T in days to approve and schedule T&amp;E reimbursements</td>
</tr>
</tbody>
</table>
Example Usage of Benchmarking

**P2P Metric Considerations**

There are various cost drivers within the overall Purchase-to-Payment process where use of benchmarks against industry best practices to determine improvement opportunities.

### Cost Components of the Purchase-to-Pay Process

![Cost Components Diagram]

#### Observations

- The following processes contribute to increased costs within the Purchase-to-Payment Process:
  - 50% of transactions are processed outside of existing workflow technology
  - 65% of POs are issued by mail or phone
  - 50% of invoices are processed manually through Accounts Payable
  - 25% of invoices are received in a de-centralized location
  - 58% of all payments are remitted by paper check
Value Drivers Within P2P Activities

Possible Ideas

- Increase DPO
  - Improve integrity of Vendor Master File
  - Monitor and enforce use of approved Payment Terms – extend where feasible
  - Update existing agreements upon expiration

- Reduce Invoice Error Rate / Processing Costs / Lost Discounts / Leakage
  - Standardize (and consolidate) AP processes
  - Increase use of Purchase Orders to automate matching process (decrease Pay-on-Approval volume)
  - Leverage ERP functionality / automate manual process
  - Enhance supporting capabilities
  - Develop / improve monitoring and reporting

- Reduce Spend / Total Cost of Ownership (TCO)
  - Strategic Sourcing (Total Cost of Ownership (TCO), leverage volume, specification improvements, global sourcing, etc.)
  - Manage contract compliance

Components & Value Drivers

- **Procure-to-Pay**
  - Increase DPO
  - Reduce AP Processing Costs
  - Reduce Lost Discounts
  - Reduce Financial Leakage
  - Reduce Spend / TCO

Improvements in Working Capital Management can free up cash and generate significant annual savings and impact to the bottom line!
In Summary

Today’s economic environment requires active assessment and management of P2P activities and operations is critical.

- Inventories and receivables are growing.
- Spend is highly fragmented indicating an opportunity for supplier consolidation and leveraged buying.
- Sourcing focused on Indirect Spend including prioritization of Sub-Categories and setting of savings targets.
- Saving opportunities continue to exist through: Immediate strategic sourcing initiatives, Ensuring payment term discounts are realized; and Eliminating multiple payment terms for the same supplier.
- Fraud indicators exist but are often times not recognized and/or not acted upon.
- Movement to reduce process costs and increase in efficiency by addressing Supplier Master File.
- Potential for financial leakage in the form of duplicate payments, unused credit memo’s, etc.
- Need to establish standards for payment terms and target key supplier for improvement initiatives.

Internal Audit teams have not only the responsibility for periodic assessment of these activities but also have a tremendous opportunity to drive value and be an agent of positive change for their organization!
References

• Invalid Social Security Number –[www.ssa.gov](http://www.ssa.gov) provides rules governing invalid SSN and based on these rules you can internally build the file to perform testing against.

• Deceased person file – a subscription can be purchased from NTIS, [http://www.ntis.gov/products/ssa-dmf.aspx](http://www.ntis.gov/products/ssa-dmf.aspx). Quarterly, we update will pull updates from this site to update our database.

• Benchmarking - [http://www.apqc.org/portal/apqc/site](http://www.apqc.org/portal/apqc/site)
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