

Stuart Maue: Contract Compliance Audits

Overview of Contract Compliance Audits

Contract Compliance Audits for Outside Vendors

Today, even with strictest of internal controls, overpayments to vendors can and do happen. Stuart Maue's contract compliance audits assist the client in ensuring compliance with the underlying vendor contract and/or purchase agreement. Stuart Maue performs these audits on a historical or on-going basis depending on the needs of the client.



Types of Vendors Audited by Stuart Maue

Stuart Maue has the ability to audit both tangible and intangible purchases. Tangible items can be as common as pens, paper, and erasers, and as complex as major components for automobiles, airplanes, and construction equipment. Intangible items are generally services such as consulting or engineering services.

Case Studies

Tangible Purchases— Stuart Maue conducted an audit of purchases involving photocopy services billed at an agreed per-copy rate. The reviewed photocopy services were provided over a three-year period from several service locations. The vendor billed for the services from each location providing the services. The authorized copy rate was eight cents per copy. Stuart Maue found the overbilling to be 22% of the total copy fees.

Intangible Purchases— Stuart Maue audited engineering services billed at an agreed hourly rate. The engineering company's services were provided over a three-year period, each period with its own unique billing rates. The vendor billed for all services in the third billing period using the authorized rate for the third period. The result was an overcharge of 11% of the total billed for engineering services.

Benefits of a Contract

Compliance Audit

- **Results in cost savings (procurement is often the largest or second largest category of expenditure for a corporation).**
- **Identifies and manages the risk associated with the procurement process.**
- **Reduces inadvertent overcharges (awareness by vendors that contracts are reviewed).**
- **Improves contract/customer relationship (incorrect charges may reveal communication or procedural issues with a vendor). Developing enhanced communication and processes can lead to stronger relationships.**

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PREMIER COST MANAGEMENT