



Case Study: Vendor Invoice Review

Summary

This case study describes how a large U.S. company used Stuart Maue's **Vendor Invoice Review** services to reveal over 15% in unauthorized charges by a vendor.

Customer Profile

Large Fortune 500 Company

Business Situation

A U.S. based company (The Company) hired an engineering consulting firm (The Engineering Firm) to provide environmental services such as environmental consultation, pollution prevention, risk assessment services, and laboratory analysis.

The Company retained The Engineering Firm for a span of four years. The Company and The Engineering Firm entered into a Master Preferred Vendor Services Agreement which outlined the terms of payment.

During this time, The Engineering Firm billed The Company approximately \$1.2 million for services rendered. Concerned that the invoices may contain overages, The Company hired Stuart Maue to perform a vendor audit of The Engineering Firm's invoices.

During the invoice audit, Stuart Maue auditors were allowed to speak with the owners and various engineers in The Engineering Firm to clarify any questions they had regarding the billing. In comparing the invoices with the Master Preferred Vendor Services Agreement, Stuart Maue identified the following issues:

- **Unauthorized Markup on Expenses-** (subcontractor and lab costs)

Some expenses were allowed a markup, but subcontractor and lab expenses did not fall under this category. Stuart Maue found subcontractor expenses marked up over 10% and lab services marked up between 5-10%.

Benefits

- **Money Savings-** Stuart Maue's audit revealed that **15%** of the fees and expenses billed by the Engineering Firm were not in compliance with the Vendor Agreement.
- **Time Savings-** The procurement staff could focus on their core responsibilities instead of spending time to audit the invoices.
- **Review by a Neutral 3rd Party Vendor-** Review by a third party assisted in maintaining the relationship between The Company and The Engineering Firm.

- *Engineering Firm as a Subcontractor*

According to the Services Agreement, if the work needed to be completed by a subcontractor, higher rates could be applied. However, if the subcontractor was a subsidiary, affiliate, office or branch of the Engineering Firm, the standard rates would apply. The subcontractor used was a wholly owned subsidiary of the Engineering Company, and as a consequence, the higher rates found on the invoices were not in accordance with the Services Agreement.



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- *Billing Rates and Rate Increases*

Billing rates for several timekeepers were above the maximum amount authorized for the particular position classification. A total of 62 timekeepers billed over the course of four years. The billing rates for 42 of the timekeepers at various times were above the maximum amount authorized for their position classification during some part of the contract.

After the audit was complete, Stuart Maue provided The Company with an in-depth report outlining questioned fees and expenses. Stuart Maue's invoice audit revealed that over 15% of the fees and expenses were not in compliance with the Master Preferred Vendor Services Agreement.

Benefits

The Company did not have the resources available to review the \$1.2 million in fees and expenses. By retaining Stuart Maue to perform the vendor invoice audit, The Company gained significant benefits. The procurement staff was able to focus on their core responsibilities while the audit was performed. In addition, having a neutral third party perform the audit assisted in maintaining a strong relationship with The Company and The Engineering Firm. Ultimately, The Company was able to receive credits from The Engineering Firm for approximately **15%** of the total billed.

About Stuart Maue

Stuart Maue develops customized cost management solutions for our clients in the areas of *legal cost management, legal bill review audit and analysis, bankruptcy, and vendor invoice review*. Our clients recognize significant savings from our programs as well as gain vital insights into legal and vendor costs. With added pressure to reduce costs and improve their return-on-investment, Stuart Maue can assist clients in gaining a more accurate picture of their spending as well as the performance of their firms and vendors.

For more information about Stuart Maue or our services, call us at: 314.291.3030 or e-mail us at: info@smmj.com.