

# Recovery mission

How data analysis can identify where you're losing money **Interviewed by Meredith McKenzie**

In this economy, companies are conscious of cutting costs in every possible area. Many, however, may be throwing away money and not even know it.

Duplicate payments, unused vendor credits and revenue leakage are just a few of the areas where companies lose money, but lost revenue and excess costs can ultimately be recovered if you know how to do it.

"The amount recovered will vary, depending on the controls," says Jan Beckmann, ACL certified trainer, manager of risk services and data analysis practice leader at Brown Smith Wallace LLC. "If you don't identify and correct areas of vulnerability, you're putting all that work in and not getting the money you should. But if you engage a specialist to recover costs and prevent future problems, you're going to identify overall improvements for your company."

*Smart Business* spoke with Beckmann about the areas in which companies typically find recoverable costs, how to identify and quantify errors, how to prevent them from happening again and what to look for in a good service provider.

## What is the likelihood that a company has recoverable costs?

The probability that a company has recoverable money depends on the control environment and systems in place. Companies that have gone through layoffs and restructuring during this economic downturn have a higher probability that controls are not as tight as they used to be, or were not tight to begin with, making them more likely to have recoverable costs.

The control environment is the deciding factor, not industry or company size. A company with a tight control environment and fully integrated systems, or a single system, is less likely to identify a high dollar amount of recoverable costs.

## What are some typical areas where businesses see recoverable costs?

It depends on your industry and individual risk factors, but some typical areas are duplicate payments, missed vendor discounts, unused vendor credits, invalid charges on construction projects, duplicate employee reimbursements, inappropriate corporate credit card transactions and invalid employee benefits.



**Jan Beckmann**

ACL certified trainer  
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You should focus on the areas where there's the greatest chance of recovery. First, do an assessment of all the areas where you think there may be recoverable costs. The identified areas most likely will have disparate systems or the weakest controls.

## How does revenue leakage factor in?

Usually, you find some large-dollar recoverable costs by completing an assessment, but preventing future revenue losses is equally important. Revenue leakage sometimes gets missed because leakage is often not evaluated in the same way as cost.

You may find a few duplicate payments that were issued, but if you can find a revenue stream that did not have strong controls around it, your dollar amount is going to be higher, and you'll have a much greater long-term benefit.

Often, when you're looking for revenue leakage, you're only looking at the main revenue stream, not all streams. Frequently, the main revenue stream is reasonably controlled, but there is leakage in one of the smaller streams.

For example, someone may have given

out an excessive amount of free trials or samples to the same company because there are not good monitoring controls around the trial program.

## How do you identify and quantify errors, and then prevent them from happening in the future?

You need to look at 100 percent of the data. Sampling is not a reasonable approach to cost recovery because you will not be able to find all of your dollars. One tool used for fraud detection and prevention is data analysis software, such as ACL, which allows you to pull all of the data together and identify the errors within it. Using that information, you can then quantify dollar amounts and pinpoint how much you should receive back from the vendor or customer.

The next step is to identify the root of the problem. Improving controls in your system can prevent future errors, but a lot of companies don't choose to go that route because it can be expensive and time-consuming. Another possibility is to implement a continuous monitoring system, which is usually less costly and time-consuming.

Data analysis software can be programmed as a continuous monitoring system to perform highly specialized tests as required based on the cost recovery items identified for your company.

## What should you look for in a service provider to help with cost recovery?

Look for a provider who will partner with you so that you're not just recovering costs, but rather clamping down to ensure more money is not lost in the future. You need a provider who has both business knowledge and data analysis expertise.

It is essential to understand the source of the problem to prevent future losses; otherwise, you'll wind up doing cost recovery every couple of years. By partnering with a trusted provider, you can implement lasting change.

A partner will have a continued presence working with you, helping you to determine what system controls need to be changed and what continuous monitoring systems you can implement. <<

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