

The Risk Advisor



Cost Recovery: IA's way to...“Show them the Money”



In a world of “what have you done for me lately”, most Internal Audit departments don't have the ability to quantify real value in terms of bottom line dollars. Let's face it, IA is a cost center, and although all of us Internal Auditors know the value we bring, often many in the company don't see it that way. IA is just the company watch dog, making sure everyone is following the corporate rules. Well, what if you *can* be more than just a cost center *and* can deliver real bottom line results?

Cost Recovery Services are the catalyst to that paradigm shift.

As the corporate group that touches almost every department in the company, who better to objectively lead internal audits of major expense lines such as Telecommunications and Data, Lease & Common Area Maintenance, Freight, and Accounts Payable? Traditionally, companies leave the review of expenditures to department heads or other management. The fact is, often these department heads 1) don't have time to make changes, 2) don't know how to make changes, 3) don't want to put their job

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Examples of actual cost savings realized by some of our clients:

Actual Telecommunications cost savings:

- A multi-location regional supermarket chain saved over \$120,000
- A national consumer services company with over 100 locations saved over \$470,000
- A sixteen branch regional bank saved over \$97,000
- A large publicly traded real estate development company saved over \$500,000
- A two location manufacturer saved over \$100,000

Actual Accounts Payable Recoveries:

- A large services corporation returns \$224,000 of incremental profit to its bottom line as a result of an escheatment of unclaimed property.
- An Accounts Payable Recovery and Procurement Audit resulted in a recovery of \$3.9 million and best practices internal controls implementation.

Actual CAM/Lease Recoveries:

- A retail tenant was leasing mixed use retail space. The tenant was responsible for their pro rata share of expenses in excess of base year rents. The audit revealed and recovered management fee overcharges **in excess of \$300,000.**
- An audit of a Midwest office tenant lease with significant CAM charges for repairs and maintenance showed defects in the original office construction. The recovery was **over \$400,000** in CAM overcharges plus the elimination of all future charges.



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on the line if they find they dropped the ball and could've been saving the company lots of money, or 4) are getting kickbacks from vendors. If you take a step back, and put on your IA hat, you can see there is risk in all of those scenarios. Our job as internal auditors is to minimize the company's risks and exposures to risk. Let's break out the examples above:

1. Managers don't have time to make changes or seek better deals.
 - a. Their department is understaffed
 - b. They can't afford to put resources on a Cost Recovery Project
2. Managers don't know how to make changes.
 - a. The department managers rarely understand the contract
 - b. They rarely know what their peer companies, competitors, or other local companies are paying. So they don't have a baseline.

3. Managers don't want to put their job on the line
 - a. Since they really don't have the expertise, bringing someone in would make them look bad
 - b. If a third party came in and found savings/recoveries, their job would not be necessary
4. Managers are getting kickbacks from vendors
 - a. Often, managers are persuaded to award contracts with 'gifts'

When you put all of these scenarios into perspective, there is some very big exposure for many companies.

A logical way to have oversight of these departments is through internal audits. CBIZ Risk & Advisory Services (RAS) works directly with the Internal Audit Department to bring the expertise to complete these contingency audits. Just like any other audit placed on the audit plan, we work with

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Maximize your Finance function while maintaining TRUE Independence

Companies are becoming more responsive in order to sustain growth and improve operational efficiency. While financial complexity can seem like a burden, CBIZ Financial Advisory Services (FAS) understands the opportunity to help create new and better strategies, expand into new markets, rethink business models and become more efficient in order to gain a competitive advantage.

Many organizations look to their accounting and finance unit to expand beyond their traditional accounting role in order to maintain better cost controls and position organizations for growth. CBIZ FAS helps corporate leaders deliver quantified results for Board of Directors,

Chief Executive Officers, and Chief Financial Officers by offering practical, knowledge based experience that meets an organization's ongoing challenges.

CBIZ Financial Advisory Services helps business leaders strengthen their baseline financial operations, information systems, controls and reporting in order to assure stakeholder trust and then focus efforts to increase profitability, reduce costs, maximize capital and maintain strategic corporate initiatives. Our FAS practice is comprised of a dedicated core of professionals that have recognized finance and accounting capabilities, transaction process expertise, financial reporting, and corporate strategy that helps organizations.

Accounting Cycle Services

- SEC Preparation and Reporting, 10K/Q and 8-K and S-1's
- Monthly and quarterly close support
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Performance Improvement & Transition Services

- Interim CFO, CAO, and Controller positions
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Growth Services

- Lean / Six Sigma efforts
- Mergers & Acquisition including Sourcing and Due Diligence
- Post-Acquisition Integrations and Optimizations
- Divestitures
- Right-Side Balance Sheet Strategy
- IPO Planning

Be Ready to Move Swiftly

The Affordable Care Act (ACA) seems to dominate the recent news headlines as the states health exchanges opened for business on October 1, 2013. There is great interest in the benefits, rates, subsidies and administration of these new exchanges.

While the exchanges, both private and public are grabbing headlines today, CBIZ has been working with clients with respect to the new law since 2010. We created a dedicated team of CBIZ professionals from our actuarial, compliance and tax units to assist our clients with the complexities of the law. Various Federal agencies; IRS/DOL/HHS etc. have produced the required regulations associated with the law over the past three and half years. In turn, we have developed sophisticated actuarial modeling tools to apply the ACA to each client's unique situation so we can forecast the financial and administrative implications of the law on each group.

Changes associated with the ACA are frequently announced as the government, both federal and states, struggle with the complexity and the politics of the law. This very fluid situation requires a dynamic approach for each plan sponsor as they execute their multi-year benefits strategy. All aspects of a plan sponsor's total rewards strategy is under near constant review as employers adjust to the ACA and their unique labor needs.

The development of private exchanges is a good example of how plan sponsors are adapting to the



ACA. Private exchange are an outsourcing and financial strategy that permits an employer to offer a wide variety of plan choices to employees. Employees pick the plans that best fit their needs and spend a set amount of employer funds on all of their plan choices. While there are many varieties of private exchanges, in the end they permit an employer to move to defined contribution for health benefits amidst the greatest amount of employee choice. And the burden of administration is placed upon a third party, such as CBIZ, not human resources.

The key point on ACA is that while you may have a good understanding of the law and a strategy for 2014, now is the time to consider where you go next with your plans and the ACA.

the IA department to determine proper scope, responsibility, and timing. We also prepare and deliver a professional, third party audit report that can be shared with Senior Management and/or the Audit Committee.

Naturally, there are engagements that we go directly through the department that we will be performing the audit for. However, the compelling reason to go through IA is the transparency and openness necessary to assure that each department has the controls in place to assure there are no unethical or fraudulent events taking place, or there are

controls to prevent them from occurring. Since CBIZ RAS provides all the manpower to complete these *contingent audits*, there is truly minimal time needed by your IA staff, or the department staff to complete the engagement. In fact, unless we find recoveries or savings opportunities, there is **no cost** at all.

This is a compelling value proposition for the company, and a great opportunity for the Internal Audit department to spearhead this important review.

We offer clients exceptional quality and diverse capabilities with the personal attention your business needs and deserves; all with a single focus: *your success.*



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Let the CBIZ Risk & Advisory Services Cost Recovery Specialists help make your Internal Audit department an immediate “value-add” by adding real dollars to your bottom line. For more information please contact us at: **1.866.956.1983** or **RASInfo@cbiz.com**.

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