

Case Study

Client: Fortune 100 Bottling and Distribution Company

Service: Price Compliance Audit (Office Products)

Result: \$1.1 million refund and \$900,000 annual savings



The Client

A Fortune 100 beverage bottling and distribution company headquartered in Georgia spending over \$8 million annually on office supplies. The company has a centralized management of purchasing and utilizes a state-of-the-art enterprise purchasing system to track the life-cycle of all purchases.

The Business Situation

The client had an agreement with a national office supply vendor with a pricing structure of core items at a fixed price for fixed periods of time and non-core items discounted from manufacturer's list price. The client routinely updates their enterprise purchasing system with the pricing on approximately 500 core items. Their purchasing system does not, however, include the contracted pricing for non-core item purchases. The client purchases over 18,000 non-core items on an annual basis.

Management believed that their purchasing system and processes had sufficient controls in place, but was interested in testing these controls as a Sarbanes Oxley exercise.

Chartwell was engaged to perform a Price Compliance Audit of the client's office supply purchases to validate vendor pricing over a specified time period.

The Audit Process

- The client provided documentation of all written pricing agreements with the office supply vendor applicable during the audit period.
- Chartwell requested and obtained detailed purchase data from the office supply vendor.
- Our consultants used Chartwell's proprietary audit software to compare, on a

line-by-line basis, the prices charged by the vendor to the agreed-upon pricing for all purchases made during the audit period.

- Detailed reports were prepared and provided to the client, showing discrepancies in pricing between contracted price and actual price.
- With client's approval, the discrepancy reports to the vendor.
- The vendor was then given an opportunity to review our findings and provide feedback on our analysis.
- Agreement was reached on the specific discrepancies identified.

The Findings

As a result of our audit, Chartwell made these significant findings:

- The price plan, which was originally agreed to between client and vendor, was not implemented by the vendor's back-office operation.
- The vendor agreed to provide the client with written documentation when any price change occurred. We discovered that this documentation occurred for less than 2% of the price changes.

The Results and Benefits

The overcharges were refunded to the company and the original pricing plan was immediately implemented.

As a result of all these efforts, the client received a check in excess of \$1.1 million and estimates they will achieve additional savings of over \$900,000 annually as a result of the Price Compliance Audit.