

# SUPPLIER CONTRACT AUDIT

DEEP AND BROAD, MAXIMUM VALUE AND EXCELLENT INSIGHTS



When PRGX identifies significant risk that extends beyond the ability to audit with client data, an in-depth Supplier Contract Audit may be the best way to adequately investigate. A comprehensive Supplier Contract Audit addresses all material financial commercial terms within a supplier contract and primarily uses supplier data and documents.

This type of audit is advantageous for a client's indirect spend with complex contract pricing mechanisms (i.e., cost-plus; time & material) that can carry substantial financial risk if not managed properly. Our highly experienced auditors dig deep to identify risk and ensure compliance.

## How PRGX Prioritizes Suppliers To Audit

We focus on 2 factors to determine which relationships pose the greatest financial risk to your business.

- 1 Contract Complexity
- 2 Spend Volume



Contract Type	Gross Error Rates	Contract Categories	Examples: Types of Potential "Leakage"
"Cost" Plus	2%-5%	<ul style="list-style-type: none"> <li>• Construction &amp; Engineering</li> <li>• Maintenance &amp; Operations</li> <li>• Machinery/Equipment</li> <li>• Facility Services</li> <li>• Waste Management</li> <li>• 3rd Party Manufacturing</li> </ul>	<ul style="list-style-type: none"> <li>• Cost-based labor rates</li> <li>• Direct billed consumables</li> <li>• Equipment intervals</li> <li>• Overhead allocations</li> <li>• Direct billed overhead</li> </ul>
Time & Materials	1%-3%	<ul style="list-style-type: none"> <li>• Facility Maintenance</li> <li>• Temporary Labor</li> <li>• Advertising / Marketing / Print</li> <li>• Outsourced Services                             <ul style="list-style-type: none"> <li>- Call Centers</li> <li>- BPO</li> <li>- CRO</li> <li>- IT</li> <li>- Financial</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Improper rates</li> <li>• Labor classifications</li> <li>• Markups</li> <li>• Hours billed vs. paid</li> <li>• Overtime</li> <li>• Excess per diems</li> <li>• Duplicate charges</li> </ul>
Unit Cost	.5%-2%	<ul style="list-style-type: none"> <li>• Packaging/Containers</li> <li>• Materials (MRO)</li> <li>• Waste Management</li> <li>• Advertising / Marketing / Print</li> <li>• Direct Materials</li> <li>• Transportation / Logistics</li> </ul>	<ul style="list-style-type: none"> <li>• Price changes: timing</li> <li>• Discounts</li> <li>• Rebates</li> <li>• Price protection</li> <li>• PO vs. contract pricing</li> </ul>
Lump Sum	0-2%	<ul style="list-style-type: none"> <li>• Project work</li> <li>• Defined services</li> </ul>	<ul style="list-style-type: none"> <li>• Change orders</li> <li>• Work not completed</li> <li>• Allowable profit margins</li> </ul>

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## ACTIONABLE INSIGHTS + REGAINED PROFITS

Combining our powerful data analytics technology with a staff of highly experienced, seasoned professionals, our self-funded audit approach delivers lost profits plus gives you valuable, actionable insights other providers might miss. We know you need bottom-line results fast – and that's what we deliver. We work alongside your procurement team to investigate and identify the root causes of discrepancies with suppliers so they can be fixed and eliminated long-term. Your organization reaps the benefits of recoveries and improved processes that create long-term value and impact for the business.

Elements	Supplier Contract Audit
Data Audited – Primary Source	Supplier
Targeted Suppliers	<ul style="list-style-type: none"><li>• Indirect Spend purchases</li><li>• Where high-complexity and high-spend contracts exist</li></ul>
Annual Supplier Coverage	Typically, 10 – 25
Testing Focus	All material financial exposures
Range of Recoveries	.5% - 5%
Formally Announced Audit	Always
Supplier Interaction	Recurring & direct
Claim Attributes	Fact-based to interpretive
Client Involvement	Key governance and settlement roles
Pricing Structure	Individual supplier

### TURN TO THE INDUSTRY LEADER

PRGX is the global leader in source-to-pay data analytics and margin expansion. We unlock incremental value from the data within your ecosystem, and expand your impact across the whole business. Leveraging AI, ML and deep industry expertise, our audit and analytics solutions shape stronger, healthier businesses.



We serve 75% of the top 20 global retailers



We create actionable insights from over 6.2 petabytes of data



We analyze more than \$2 trillion in spend



We deliver more than \$1.4 billion in net profit



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