

Handling Post Audit Claims More Effectively

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A post audit claim is a demand for a refund or payment made by a third party on behalf of one of your customers. These third party post audit firms work on a contingent fee meaning the more problems they find, the more money they receive from your customer. This gives post audit firms an incentive to be somewhat creative in their efforts to uncover problems. Typically, post audit claims involve assertions that your customer:

1. Overpaid certain invoices
2. Did not receive credits owed
3. Did not use credits issued to them

In my experience, this is the best process to address post audit claims is by following this CHECKLIST:

1. Reject the post auditor's time line since it is invariably too short to conduct a careful review of the claims being made.
2. Provide your customer [not the auditor] with an estimate of the time it will take you to review the post audit claims.
3. Warn your customer that based on the age, number & complexity of the transactions that must be reviewed; it may take longer than your original estimate.
4. Make it clear from the beginning that any post audit deduction taken unilaterally & based on an unrealistic time line will result in the account being placed on credit hold.
5. Prepare a specific, detailed, & comprehensive list of the documents that *you* require from the auditors in order to begin your analysis.
6. Reject certain types of post audit claims immediately. For example, if the auditor demands proof of delivery but the window for requesting that documentation has closed, immediately reject that type of claim & explain to your customer why it is not possible to provide the required documentation.
7. Make it clear to your customer that until you receive the required supporting documentation from them, you cannot begin your research.
8. As your research the claims made by the third party, continue to request additional documents from your customer as needed. Remember to submit all such requests for supporting documentation in writing to your accounts payable contact. Copy your customer's CFO or Controller on such correspondence as well as on any correspondence with *their* post auditors.
9. Once the research is complete, communicate your findings with your customer, not with their auditors.

The post audit process works only if your customer is convinced that taking an unauthorized deduction will not result in the account being placed on credit hold. To the extent that you can dispel the idea that a deduction can be taken with impunity, you will put your company, the customer & the post audit firm on equal footing. Once this is accomplished, you can review the audit issues in a systematic & professional manner.

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