

The Compounding Effect of Triple ROI on Real-time Invoice Review Results

The best method for a company to contain costs is to ensure that they are reviewed thoroughly prior to being paid. Our Real-time Invoice Review Programs (RTIRPs) provide clients with the confidence that invoices and contract terms are being reviewed and carefully monitored before any invoice is paid. Revenew compounds clients' cost savings with the power of our Triple ROI methodology: Real-time Impact, Retrospective Impact, and Preventative Impact.

Revenew's RTIRPs can be structured to address specific compliance objectives; supplier category, contract and spend type; and/or spend levels. The total cost recovery for billing variances, as well as the value of efficiencies gained from this program, will often significantly exceed the actual amount of variances on the invoices being reviewed. Our approach can be scaled to be cost effective for vendors ranging from those with large, complex invoices and spend to those with high invoice counts with much smaller spend.

Custom-designed, expertly-managed RTIRPs are ideal for efficiently reviewing smaller vendors that may not be suitable for more comprehensive, costly methods. Our seasoned team often finds questionable charges or billing circumstances that are not specifically addressed in contracts, leading to sizable amounts that can be challenged against industry best practices. Our success in securing credits and amendments from vendors is founded upon Revenew's philosophy of containing costs in the spirit of fair and reasonable partnerships, while improving supplier relationships. We work directly with procurement, contracts management, supply chain, operations, accounting, and audit teams to resolve issues while maintaining internal and external relationships.

ROI 1: Real-time Impact

To ensure that project ROI is maintained well above our costs, we often use a decision gate approach. While the RTIRP scope may also include other contract compliance, performance improvement, and assurance objectives, cost savings are typically our clients' key driver.

Revenew's success is founded on a philosophy of containing costs in the spirit of fair and reasonable partnerships, while improving supplier relationships.

Phase 1: The process begins with a scoping exercise to determine which vendors are likely to have billing challenges regarding compliance with contract terms and conditions. This exercise encompasses an analysis of contracts, nature of the spend type, client processes and procedures to ensure billing compliance, a review of your ERP ledger vendor spend data detail, and a small selection of representative invoices on a per vendor basis. The experience of our team also factors into the selection process, dramatically increasing success in quickly identifying vendors that will have cost recovery and process improvement opportunities that result in cost savings.

Phase 2: Vendors with a high enough score in Phase 1 are escalated for deeper analysis to confirm any potential variances. Additional invoices are reviewed using a more formal testing approach to document billing variances, which are shared and validated with our client and the vendors. Thereafter, the billing variances identified, if any, will have corrected invoices submitted or credit memos issued.

ROI 2: Retrospective Impact

Our review of invoices in real-time often reveals trends in billing variances and contract execution issues that impact prior periods for a contract term. Analysis of the vendor invoice spend data detail can lead to discovery of the same issues in prior periods that were uncovered during review of real-time invoices – even small amounts often lead to a much larger set of past invoices totaling a significant amount.

ROI 3: Preventative Impact

The issues validated for ROI 1 and ROI 2 are often linked to contract terms and conditions that require an amendment to address concerns identified. We incorporate best practices language and clarity into contract amendments to ensure that the same issues do not persist. We work closely with our clients' contract management team and vendors to execute these amendments as soon as possible.

We utilize trends from the variances found in ROI 1 and ROI 2 to prevent the same billing variances for the remainder of an existing contract term, adding a third layer of cost savings in future spend.

1 CaseStudy

A large oil and gas producing company hired us to pilot a vendor invoice review program for selected categories of spend with the objective of identifying preventable billing variances. Our analysis of vendor spend data and contracts shaped the population of vendors that warranted more in-depth scoping. Procedures were performed to refine the population to the candidates most likely for billing variances. The methodology was customized to ensure that project objectives and costs aligned with target ROI metrics.

The per vendor approach began with an initial scoping exercise to determine the likelihood of billing variances. In Phase 1, we reviewed contracts and tested a sample of 10 invoices that took approximately five hours to complete.

Since variance amounts that exceeded the set limits were discovered in the initial exercise, a more in-depth Phase 2 review was warranted. A review of 30 additional invoices was performed, taking approximately 20 hours. Additional invoices were reviewed as needed per client approval to further establish trends and precedents for variances.

- ROI 1 – For one drilling vendor, **\$13,300 in variances were identified** in the secondary review of 30 invoices and a credit memo was received. This fully recouped the cost to identify the variances plus an additional **121%** of the effort to that point.
- ROI 2 – A portion of the ROI 1 variance for this drilling vendor (**\$2,604**) was validated to have a consistent trend back to the beginning of the contract term, resulting in **\$97,365 of identified variances**. Credit memos were issued.
- ROI 3 – Carrying this trend forward at the rate validated in ROI 1 and ROI 2 resulted in contract amendments to prevent the same issue from continuing until the contract end date, totaling **\$70,324 in savings**.

The cost of our engagement for this vendor was approximately \$10,250 from start to finish. **Total cost savings for our client were \$180,989 with an ROI of 1,666%.**

2 CaseStudy

Our client had a significant plant disaster within their operations and brought Renew onboard a few weeks later to review supplier spend for contract compliance and invoice accuracy on a real-time basis. We replaced an existing invoice review service provider and quickly worked through a significant backlog. Our team was embedded into the client invoice review workflow to approve all invoices over \$10K. Our test work was adopted as the evidence required for insurance reimbursement.

Over \$152M of total spend was reviewed. Total actualized **hard-dollar savings of \$2.6M were prevented and/or recovered**. The total ROI was **306%**.

- ROI 1 – Savings from credit memos, reduced invoices, and prevented future billing variances totaled **\$1.72M**.
- ROI 2 – Prior spend billing variances recovered totaled **\$155K**.
- ROI 3 – Future billing variances prevented totaled **\$912K**.
- Findings identified but not recovered totaled **\$431K**. Our client used these issues identified for future contract improvements.

In many cases, supplier contracts were expedited faster than ideal to address disaster-related needs immediately. Renew identified several instances in which some of the rates were excessive. We worked with our client and vendor to significantly reduce some of these rates and recover amounts already paid.

In addition, contract language precision was increased to further eliminate grey areas that offered opportunities for differing interpretation by our client and vendor. Renew shared industry best practices that empowered our client to challenge charges such as mark up on per diems, allowing labor rate OT for less than 40 hours, labor rate build for OT to not include a doubling of state and federal taxes, and excessive equipment rental and lease rates not aligned with leading industry standards.

Renew's Performance Improvement services produce hard-dollar results for our clients – specific, tangible and often quite substantial. Please contact us today at 281-276-4500 or info@renew.com to learn more. **You have everything to gain.**