



## Why embrace the use of recovery audits?

### *Definition, benefits, influencing factors*

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A recovery audit is an operational audit process that is used worldwide. The practice had its origins in the retail sector characterized by large inventories and high volumes of payables transactions. Healthcare embraced the use of these audits because of the complexity of business processes supporting patients, payers, and providers. Commercial, manufacturing, and financial services organizations are now relying more and more on recovery audits to ensure policies and procedures are working optimally. Let's explore the reasoning behind the popularity.

#### ***Definition:***

Recovery auditing is the process of reviewing historical data to identify and file claims to recover accounting errors and oversights. Typical accounting errors and oversights include vendor overpayment, under-deductions, pricing, shipment and contractual performance errors. Profit recovery, A/P audit, E/P audit, post audit, and cost recovery audit are terms often used synonymously with recovery audit.

#### ***Immediate positive impact on earnings:***

Funds that are recovered through the audit process fall directly to the company's bottom line. It is literally found money. Many companies have a multi-level approach to ensure money is recovered. It is not uncommon to have an internal staff plus one or two outside firms searching for claims.

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***Low risk and cost effective:***  
Most recovery audit firms work on a contingency basis. Accordingly, payment is made only when results are realized. Companies assume almost no risk because auditors are paid a percentage of what they recoup. The auditors only make money if the payments that are later recovered.

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It is often difficult for a company to maintain a knowledgeable staff to capture lost funds. Contracting with an outside recovery audit firm is a great way to recoup funds without dedicating company resources to the task. In many cases recovery audit firms offer the most cost and time-effective way to recoup lost dollars.

#### ***External certification and review of business processes:***

Recovery firms are an external, independent, unbiased resource. They can provide an unvarnished review and opinion of internal processes and policies. External firms have no reason to hide inefficiencies for fear of management retribution.

#### ***Best practice insight:***

External recovery audit firms can offer insight into industry best practices. Recovery audit firms review numerous companies annually. They have a unique viewpoint on how others address common business problems and can provide this insight in the form of recommendations at end of the audit.