

Case Study

Client: Private University

Service: Contract Compliance Audit (Computers & Computer Supplies)

Result: \$200,000 recovery and restructure of pricing agreement

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The Client

A private New England research university with enrollment in excess of 20,000. The client operates under a centralized purchasing model and spends approximately \$6.9 million per year with one computer products vendor. All transactions occur through a sophisticated enterprise procurement module that is also utilized to monitor pricing.

The Business Situation

During the audit period, there were 2 similar purchasing contracts between the client and its vendor. Both contracts called for a mixed pricing structure: fixed pricing for several standard computer configurations and discounted pricing for all other purchases.

Although management was confident in their purchasing system and processes, they were not confident that the detailed, complex pricing terms of the purchasing contracts were successfully transcribed to their enterprise system.

Management was interested in testing their internal controls on purchases of computers and computer supplies. Management engaged Chartwell to perform a contract compliance audit to validate vendor pricing.

The Audit Process

- The client provided documentation of all written pricing agreements and amendments with the vendor during the specified time period.
- The vendor provided all billing data in a comma delimited text file for the specified time period.
- Using our proprietary software, Chartwell compared, on a line-item basis, the

agreed upon pricing to the actual prices charged by the vendor for all purchases made.

- Detailed reports were prepared and provided to the client showing discrepancies between the agreed pricing and actual prices charged.
- With client's approval, Chartwell provided the discrepancy reports to the vendor.
- The vendor was then given an opportunity to review our findings and provide feedback on our analysis.
- A settlement was reached based on the specific discrepancies identified.

Our Findings

Chartwell uncovered the following:

- Numerous price discrepancies, both overcharges and undercharges, occurred during the audit period.
- The price discrepancies were not detected by the client's enterprise system.
- The vendor did not adequately document the standard configurations and changes to such configurations during the audit period.
- There were numerous instances in which different prices were charged by the vendor on purchases of the same item on the same day.

The Results and Benefits

Chartwell assisted the client in recovering \$200,000 in overcharges from the vendor and helped clarify multiple terms in the vendor agreement so that the potential for future discrepancies will be significantly diminished.