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POST AUDIT VS PRE-AUDIT
WHICH IS BEST?

The post audit industry was developed in the late 70's. During the past 25 years many post audit companies have completed thousands of audits. The errors found generally fall into specific categories:

- Contract compliance - missed discounts and credits
- Double payment – two payments made in error
- Human error – because of the volume of paper work combined and a shortage of personal
- Oversight - due to under staffing
- System changes

After an audit yielding a large return, you have to ask yourself, why should a company pay an auditing firm up to 40% of the money recovered, and then wait up to three years for the final recovery? Especially, when one considers the errors should never have been committed in the first place. Why not correct the errors before the check is written? That's what pre-audit is all about.

The pre-audit system should not process accounts payable transactions, that's the work of the installed accounting system. Pre-audit should interface into the Clients accounting system, which normally creates the purchase order (PO) and the receiver documents. Both documents and data are sent to a document repository and database. The purchasing department typically is responsible for preparing the PO and will work with the vendor to negotiate contractual agreements at the best possible price The receiver document is forwarded to receiving and corrected, if there is a discrepancy between what was ordered and what was received. The Accounts Payable Department is notified. Both the P.O. and receiver information would be stored in the virtual invoice waiting for the invoice to arrive.

When the hard copy invoice arrives it is scanned, stored in the document repository, and then converted to optical character recognition (OCR). This allows the pre-audit application to take the data printed on the invoice and insert it into the virtual invoice.

In order to achieve a high percentage of OCR reading, the user may want to use the "Document Wizard" which can map and prepare a template of each Vendor invoice prior to processing. This one-time mapping process requires three to five minutes per invoice. By investing in this one-time mapping process, the results produce a product with a high read rate.

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At this point, the Virtual Invoice will have the quantity that was ordered; the price and the quantity received the contractual agreement, plus the actual invoice. In addition, all images of the documents have been stored in the repository, and processing can be accomplished with no further manual input.

The next step is to process the data in the virtual invoice and complete the pre-audit. The System can confirm there are no discrepancies between the PO, receiver and invoice. This three-way match will be an automatic function. With the three-way match complete, the Vendor Profile is reviewed to verify that all contractual terms, discounts and allowances are properly applied to the Invoice.

When all is in agreement, a check approval document will be e-mailed to the responsible parties for approval. During the approval process, the responsible party can view all associated documents by double clicking the PO number and all documents will be presented. When complete, the system notifies the accounting system for check processing. The system can track the approval process in case it becomes hung up on someone's desk.

An added benefit of the pre-audit system is the elimination of manual filing, lost, miss-filed and out of file documents, plus floor space and filing cabinet cost can make system justification very easy.

What if someone circumvents the system and approves a transaction after the check is written, knowing there is an error? What if an inadvertent mistake is made? On optional bases, a fixed-cost virtual post-audit can be performed. The Sarbanes Oxley auditor will be pleased with the double audit.

This paper began by asking whether Post or Pre-Audit is better. The answer is obvious. If you don't Pre-Audit payables, then you should unquestionably Post-Audit to recover potentially lost funds.