



**Contractors overbill Energy Company by 6%
Miss-statement totals near \$1MM
March 2009**

Denver, CO – The value-added operational audit of a large energy company (“client”) identified a 6% fraudulent overbilling for services from third party contractors. Work performed during a brief 30 day period resulted in a significant revenue assurance opportunity for the client, identifying more than \$800,000 in contractor overbilling for services. The client is now positioned to recover cash from overpayments and revise operational expectations of third party vendors.

The contractor overbilling occurred from:

- Ineligible contract employees charging for living allowances
- Inadequate compliance review of Change Orders resulting in inappropriate billing and payments
- Over charging for specialized equipment, including payments to non-approved vendors who included higher margins than authorized

The total cash impact to the company from overbilling was 6% of the total invoices.

Operational audits are unique from typical transactional audits since the audits are focused on operating procedures and actual performance to evaluate the level of services received compared to expectations. Operational audits get into the details of contract requirements, services actually performed, billing for the services performed, and then the bill processing transactions. Transactional audits tend to be financially based and focused only on the processes for bill approval and payment. Numerous longer term operational improvements and process re-engineering changes result from the operational audit practice.

Value-add operational audits are conducted by Centennial Business Solutions, LLC and Integrated Risk Management Solutions, LLC of Denver, CO. The companies specialize in the deployment of AICPA approved statistical sampling techniques that enable efficient analysis of company operational processes and performance.

Copyright protected – Property of Integrated Risk Management Solutions, LLC