

The Importance of a Mature Contract Compliance Audit Program

Frequently Asked Questions



We have internal auditors to take care of this – what makes a mature program different?

While some companies perform contract compliance audits on a limited or ad-hoc basis, an advanced program is one that is conducted on an ongoing basis, across all tiers of direct and indirect suppliers, not haphazardly or when there is a problem. They are strategically planned, often ensuring a rotational coverage of all high-risk suppliers. Often, internal audit does not have the resources or subject matter expertise to execute a mature contract compliance audit program considering all the other tasks included in their audit plan which spans the enterprise. Partnering with a specialist such as SC&H, whose certified professionals are focused on executing contract compliance audit programs for Fortune 1 - 500 companies, can help your organization develop a mature and sustainable process that delivers significant, recurring benefits.



Is it really worthwhile to engage in a mature audit program?

SC&H's clients typically realize an average ROI of more than 200 percent. Quantifying the value of transparency generated or the foundation of trust enabled by an audit is less quantifiable, but no less valuable.



Won't this form of audit program make my supplier feel attacked and damage our relationship?

SC&H utilizes a collaborative, fact-based audit approach that looks at the entire process (not just supplier spend, for example) and reports both favorable and unfavorable findings. The goal is to develop a holistic understanding of the parties' compliance with their respective contracts that benefits all involved. When non-compliance is identified, the supplier's input should be solicited, whether or not they agree with the issue or remediation required. In this way, each company can make an informed decision about how to resolve complicated issues. This also ensures that while a supplier may not be happy about an audit outcome, they can feel the process was fair and reasonable.



What if we don't have an audit clause in our contracts?

Contract compliance audits are generally accepted best practice supported by suppliers in the spirit of the relationship and transparency. As long as there is an active relationship, conducting an audit is very rarely an issue. Just ask.



Do audits require Legal involvement? What if the audit results in litigation?

While the legal department should be made aware of the audit program, most companies with a mature audit program only involve legal in the audit process when necessary, which is usually on rare instances. When needed, legal can provide an opinion on contract terms and the validity of disputed differences identified during the audit. Typically, any disputes between the company and the supplier over issues identified during the audit are generally resolved without legal involvement via good faith negotiations between the parties. Arbitration or litigation because of the audit is extremely rare because there is rarely a cost-benefit to either party.



We worked with a third-party auditor and had a poor experience; why would this experience be any different?

Your products and services are only as good as the raw materials you put into your work. Similarly, the experience of working with a third-party auditor is only as good as the auditor. SC&H has extensive experience working with Fortune 1 - 500 companies with significant spend under contract with global suppliers. We have achieved marked results for our clients. Our approach to a mature contract audit program is differentiated by our focus on collaboration. We utilize a proven approach which focuses on collaboration, developing a customized business case, and helping stakeholders socialize the program across the enterprise to obtain company-wide support for the initiative. When a contract compliance audit program matures and is fully optimized, everyone from the C-suite to the third-tier supplier will benefit.

To learn more, download our e-book:

[The Importance of a Mature Contract Compliance Audit Program](#)

The SC&H Difference

SC&H Group is a nationally recognized tax, audit, and management consulting firm serving clients from rapidly growing private sector businesses to Fortune 500 companies with global brands. The firm's strategic practices provide the leading-edge thinking and advice that transform our clients' businesses and help them outpace the competition. We embrace the future and help clients prepare, innovate, and evolve their businesses in this complex and highly competitive world. For more than 25 years, SC&H Group has demonstrated its commitment to delivering powerful minds, passionate teams, and proven results on every engagement. Learn more at schgroup.com

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