

## e contents



**Page 1-3: Industry News:**  
*A Strategy to Reduce Post-Audit Deductions*

**Page 4: Industry Partner**

**Page 5-6: Education**  
*CPA Webinars*  
*CRF Webinars*  
*NCS Webinars & Extra Credit*

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### November Dates To Remember:

**5th:** Daylight Savings Time Ends  
**7th:** Election Day  
**11th:** Veteran's Day  
**23rd:** Thanksgiving Day



## A Strategy to Reduce Post-Audit Deductions

By: Shyarsh Desai, Carixa

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Post-audit deductions are the missed discounts, trade deals, double payments, and incorrect pricing that contingency (commission) post-auditors discover when they review old payment transactions. Post Audits are a multi-billion-dollar business, and manufacturers pay this tab.

Audits are frequently up to three years old, so your records may not be easily accessible, and a post-audit claim may consist of 100 or more line items, individually small but adding up to a large amount of money. Because of the large number of line items and their age, they frequently end up as write-offs because the manufacturer has neither the software nor the staff to address them.

Post-audit deductions are significant because fifty percent or more of post-audits can be wrong or excessive, costing hundreds of thousands or even millions of dollars annually. Post-audit errors result from auditor eagerness to profit, misinterpretation of promotional deals, or double- or triple-dipping. Post-audits can include deductions for allowances that were deducted previously or found invalid; even those repaid to you in the past can be deducted again.

In any event, it's up to the manufacturer to disprove a post-audit claim. If you don't get to it quickly, it's deducted.

*Continued...*

### Post-Audit Deductions: A 12-Step Action Plan

- 1. Establish and Communicate a Post-Audit Policy:** Create a clear and [comprehensive policy](#) that outlines your stance on post-audit deductions. Have your CEO sign it and share it with customers and auditors to have your policies on record. Set limits on the timeframe for accepting audit claims and require proper documentation and evidence to support deductions.
- 2. Integrated Trade Promotion/Deduction Software:** Consider a bolt-on to your ERP to manage the deduction and chargeback, timelines, workflows, resolution, and documentation with audit histories. This will enable you to quickly reconcile, validate, respond, and deny erroneous claims.
- 3. Safeguard Trade Secrets:** Inform auditors that your marketing plans, pricing strategies, and operational policies are confidential. Emphasize the importance of keeping this information confidential to prevent potential misuse or sharing with other auditors working for different clients.
- 4. Streamline Trade Promotion Deal Formats:** Simplify and standardize the templates for trade promotion deals to minimize ambiguity and misinterpretation. Involve your sales and marketing teams to ensure clarity and consistency in sales agreements. Avoid gray areas leading to misunderstandings, such as promotions based on confusing dates.
- 5. Respond Promptly to Deduction Claims:** Act swiftly when you receive post-audit deduction claims to avoid missing the investigation grace period. Send a letter to auditors emphasizing your policy and requesting that they refrain from deducting until the investigation is complete. Assign a dedicated team to handle post-audit claims, establish research procedures and workflows, and track deduction key performance indicators (KPIs).
- 6. Enhance Document Systems:** Improve your document management system to efficiently access invoices, pricing information, and promotional deal sheets, even for transactions that occurred years ago. Use automation and tracking tools to strengthen the audit trail and identify any double or triple deductions.
- 7. Utilize Trade Promotion and Deduction Management Software:** Invest in software specifically designed for [trade promotion and deduction management](#). This software should allow you to access all relevant information and documents associated with each transaction, such as invoices, sales data, deal sheets, and prior deductions. This integrated approach reduces the need to search through multiple systems and files when researching deductions.
- 8. Maintain a Post-Audit Contact Database:** Create a contact database that includes relevant information about post-auditors, avoid isolating communications to auditors alone, and involve customer management if necessary.

**9. Identify Root Causes:** Analyze patterns and common root causes for post-audit deductions. If certain types of trade deals are consistently misinterpreted, review the clarity of your deal sheets. Review purchase agreements to ensure they align with your policies, especially when discrepancies like freight charges arise.

**10. Challenge Invalid Deductions:** Only settle or write off deductions with proper documentation and research. Insist on repayment for invalid deductions and demand evidence to support each claim. Taking the easy way out may encourage more deductions in gray areas prone to misinterpretation. Remember, these auditors talk with one another, so what you do in one case will impact other customer audits.

**11. Enforce Policies Timely and Consistently:** Be firm and consistent in enforcing your policies regarding post-audit deductions. Develop a reputation as a principled and well-managed company that does not tolerate excessive or incorrect deductions. Timely and consistent enforcement will deter auditors from taking advantage of your business.

**12. Third-Party Help:** Consider a [third-party expert](#) to reconcile and combat post-audit deductions on your behalf. An organization (like the author's company) offering advanced software and expert audit services can help stop the deduction profit drain. Being proactive will help protect your success and profits from being diluted by these deductions year after year.

### Conclusion

In conclusion, post-audit deductions pose a significant challenge for manufacturers, often resulting in excessive or incorrect claims that can cost hundreds of thousands or even millions of dollars annually. By taking proactive measures and leveraging advanced software and services, manufacturers can mitigate the impact of post-audit and other problem deductions and safeguard their success and profits in the long run.

### About the author:

As the CEO of Carixa's order-to-cash cloud technology business since 2021, Shyarsh is focused on scaling the business by deeply understanding client needs, growing the team and making smart investments in technology to back it all up. From 2012 to 2019, he was CEO of Credit2B, which was a leader in B2B credit decision automation until its sale to Billtrust, where he served as Group President.

Prior to this, he held management positions at Global Compliance (now Navex) and Dun and Bradstreet where he focused on strategy, growth and business development. In his early career, he worked at IBM in multiple roles across the enterprise, including leading key solutions for IBM in the financial services vertical and later in corporate development. Shyarsh has degrees from the University of Bombay and an MBA from Kellogg School of Management at Northwestern University.

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# NOVEMBER WEBINARS

Credit Professionals Alliance has been working hard to provide our clients with the most up-to-date webinars concerning today's challenges in the credit field. Watch your email for upcoming registration information on all of the following webinars.

**November 15th:**      **A Business Guide to Antitrust for Credit Professionals**

**November 16th:**      **How to Become a More Successful Collector**

Be sure to check out our website [www.nacskc.com/education.html](http://www.nacskc.com/education.html) for additional educational opportunities as these are constantly being updated.

Are you looking for Certification and Certificate opportunities? Credit Professionals Alliance can lead you in the right direction, contact Rhonda Ross for additional information at [rross@nacskc.com](mailto:rross@nacskc.com) or (913) 383-9300.

## **Educational Update: Credit Research Foundation Webinars**

### **November 2023**

CRF offers a variety of educational programs: Proctored Courses, On-Demand Courses as well as webinars.

November 6-8, 2023      November Forum—Mission Hills, CA

March 18-20, 2024      March Forum—Charleston, SC

August 5-7, 2024      August Forum & Expo—Nashville, TN

It is very simple to participate: Go to <http://www.crfonline.org> and click on the Education.

### **Now offering a Certificate Program!**

For additional information go to <http://www.crfonline.org/events/current.asp>

**The following webinars are being offered by NCS Credit  
to register for these go to: [www.ncscredit.com/education-center/webinars](http://www.ncscredit.com/education-center/webinars)**

**November 7, 2023**

**Webinar: Understanding Lien Waivers**

**November 14, 2023**

**Webinar: The Basics of the UCC Process**

**November 28, 2023**

**Webinar: The Basics of the Lien and Bond Claim Process**