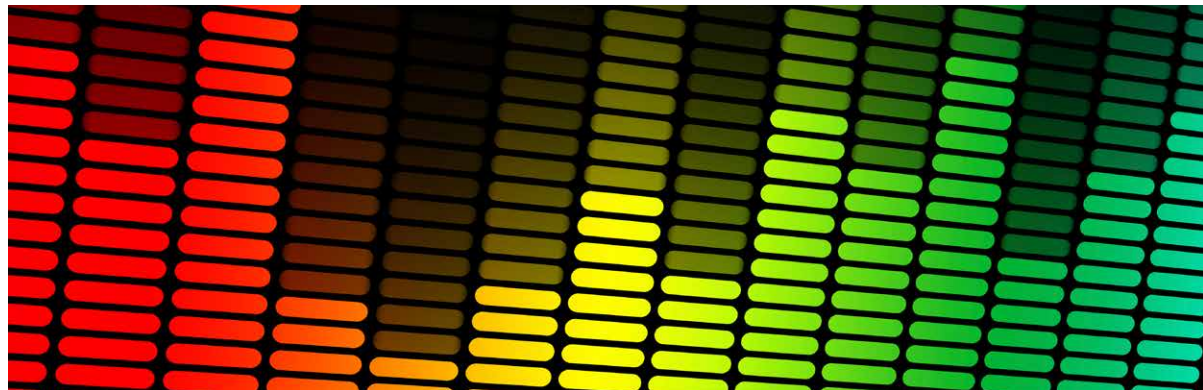


D-SCAN

An automated, customizable process for contract invoice data analysis



Does your company...

- Have the capability to perform automated contractor invoice analyses to identify recoveries from potential overcharges?
- Have an automated process to analyze the invoice data electronically, thereby reducing the time to perform an analysis?
- Perform extensive electronic analyses using customized queries?

Your issues

Companies pay out millions of dollars through various types of contractual arrangements. Yet the contracts underpinning these arrangements can be vague, misinterpreted, or inadequately monitored. In addition, manual invoice analyses for contract compliance can be tedious, time-consuming, and performed on a sample basis only. With so much value at stake, companies need to consider potential risks, such as:

- Erroneous contractor charges not in compliance with the contract (e.g., labor charges, material charges, overhead allocations)
- Duplicate charges (e.g., material charges, labor charges, billing of both per diem/meal allowance)
- Excessive contractor time charges
- Inadequate monitoring of contractor charges

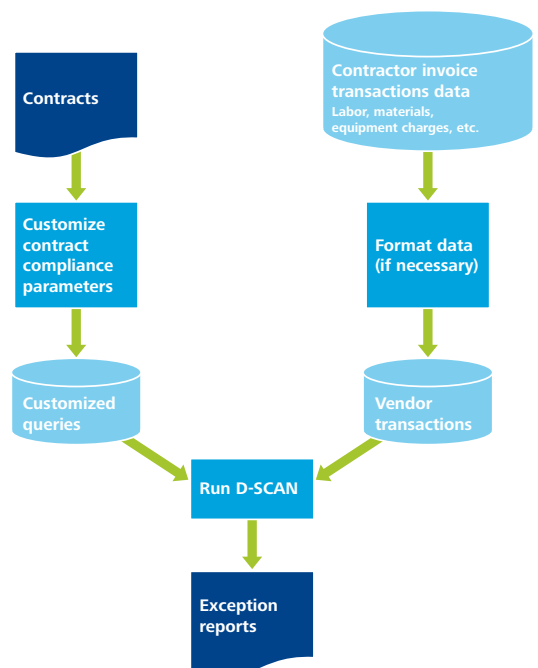
CRC: Trust, but verify

Deloitte's CRC (Contract Risk & Compliance) services provide an approach to understanding and identifying potential solutions for the risks in extended business relationships. CRC services can be leveraged by our clients as they undertake to structure, monitor, and strengthen contractual relationships with other businesses to maximize revenue, manage costs, address risks, and boost performance.

With D-SCAN, Deloitte has developed an automated process of creating customized queries using Microsoft Access* that can analyze contract invoice data, such as labor charges, material charges, fringes, cost allocations

(e.g., per diem, overhead, and consumables), union charges, and other key charges.

D-SCAN can run several customized data queries based on Deloitte's CRC methodology, the respective contractual terms, and invoice information. Currently, the D-SCAN process leverages more than 35 queries. Additional queries are created based on each contract's financial setup (refer to sample queries in this document).



D-SCAN is a seamless process that analyzes large quantities of contractor data and produces high quality exception reports that can be used to potentially recover costs and improve accounts payable controls over contractors.

D-SCAN is based on a sustainable five-step approach.

1. Perform contractor diagnostic

- Understand overall project objectives and agree on key engagement management components and roles
- Perform overall contractor diagnostic
 - Summarize and categorize contractor population
 - Obtain contracts for high-level manual analysis over key terms
 - Obtain sample invoices for high-level analysis
 - Perform initial diagnostic of contractors based on key score criteria

2. Analyze phase 1 results

- Analyze and discuss contractor diagnostic from phase 1; understand D-SCAN engagement plan and contractors to be analyzed
- Conduct internal search for potential conflicts with respect to the defined target(s)
- Advise management as they undertake to establish communication protocols for proper messaging to contractor(s)

3. Perform D-SCAN analysis

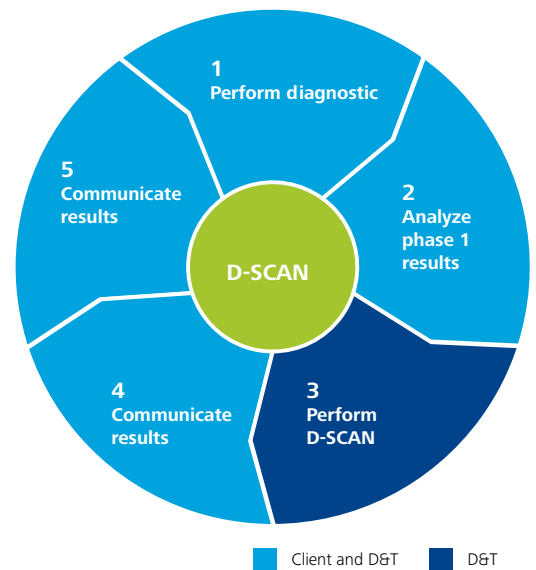
- Planning; work with client and contractor(s) to maximize efficiencies and minimize disruption
 - Create customized queries to perform the analysis and conduct detail testing related to recovery or other areas
 - Obtain electronic contractor data in advance of the analysis
- Fieldwork; perform the D-SCAN automated analysis for selected contractor(s)

4. Communicate results

- Analyze preliminary findings reports and clarify any questions
- Submit final draft findings report to client
 - Client reviews findings, potential overcharges, best practice recommendations, recommendations for improvement, etc., with contractor
 - Deloitte will assist by placing results in context and providing recommendations and guidance

5. Advise on the set-up of ongoing compliance analysis

- A successful D-SCAN program is more than just recovery of contractor cost; it:
 - Enables clients to better manage relationships with contractors
 - Includes feedback around contracts, contract administration, and accounts payable controls
 - Combines with other analyses (e.g., contract administration, fraud, vendor management analysis)
 - Advise on the set-up of ongoing compliance analysis



D-SCAN case study

We recently conducted a D-SCAN analysis over seven contractors for an oil and gas client. By using D-SCAN, we were able to efficiently identify potential overcharges.

Overcharges were due to several issues, including incorrect labor charges, hours over the daily or weekly maximums, incorrect/invalid per diem, incorrect union charges, and duplicate materials invoices. In addition, the analysis resulted in ongoing monitoring of charges on a more current basis.

*Clients would need to have their own Microsoft Access licenses for any use of Access reports (as applicable).

D-SCAN — Partial excerpt of the potential cost recoveries from the case study

Construction vendor

Potential recovery area	Potential recovery finding area
Labor	Work time charged more than 14 hours/day
Labor	Duplicate labor time entry
Labor	Incorrect overtime charges
Expense	Duplicate expense invoices
Materials	Duplicate material invoices
Labor	Invalid per diem
Labor	Invalid union charges
Labor	Incorrect per diem
Labor	Incorrect union charges

Sample contractor diagnostics

Based on contract and sample invoice analysis*

Diagnostic scoring			
Low 0–1.5	Medium 1.51–2.0	High 2.01–2.5	Very high 2.51–3
Number	Company name	Final score	
1	Contractor #1	3	
2	Contractor #2	3	
3	Contractor #3	3	
4	Contractor #4	3	
5	Contractor #5	3	
6	Contractor #6	3	
7	Contractor #7	2.95	
8	Contractor #8	2.7	
9	Contractor #9	2.7	
10	Contractor #10	2.45	
11	Contractor #11	2.45	
12	Contractor #12	2.05	
13	Contractor #13	2.05	
14	Contractor #14	2.05	
15	Contractor #15	2.05	
16	Contractor #16	2.05	
17	Contractor #17	1.7	
18	Contractor #18	1.7	
19	Contractor #19	1.5	
20	Contractor #20	1.45	

D-SCAN

Sample main menu



* Contractors are analyzed on certain criteria and weighted averages. This could include 20 different criteria.

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