



# Margin Leakage

How to find it and stop it

ITFMA 2025

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Value Recovery

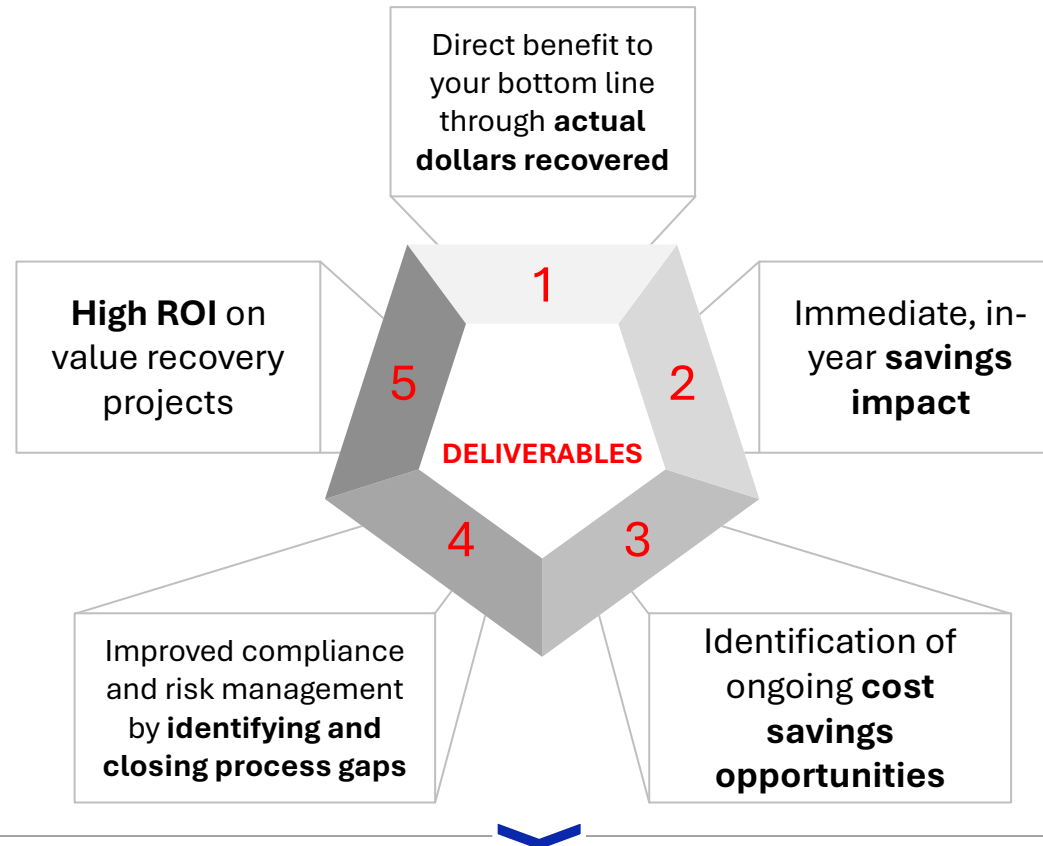
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# Stopping the Leakage

Immediate and ongoing benefits

Improve bottom line results → meet or beat budget → improve process efficiencies



By setting up and running a value recovery team within your organization, you can identify and recover costs from contract compliance, tax & ledger reviews and process gap analysis to provide Value Recovery recommendations

# Where to Look

Areas of focus

## 7 areas where the cash can be found, achieving revenue or credit that is currently owed to you-



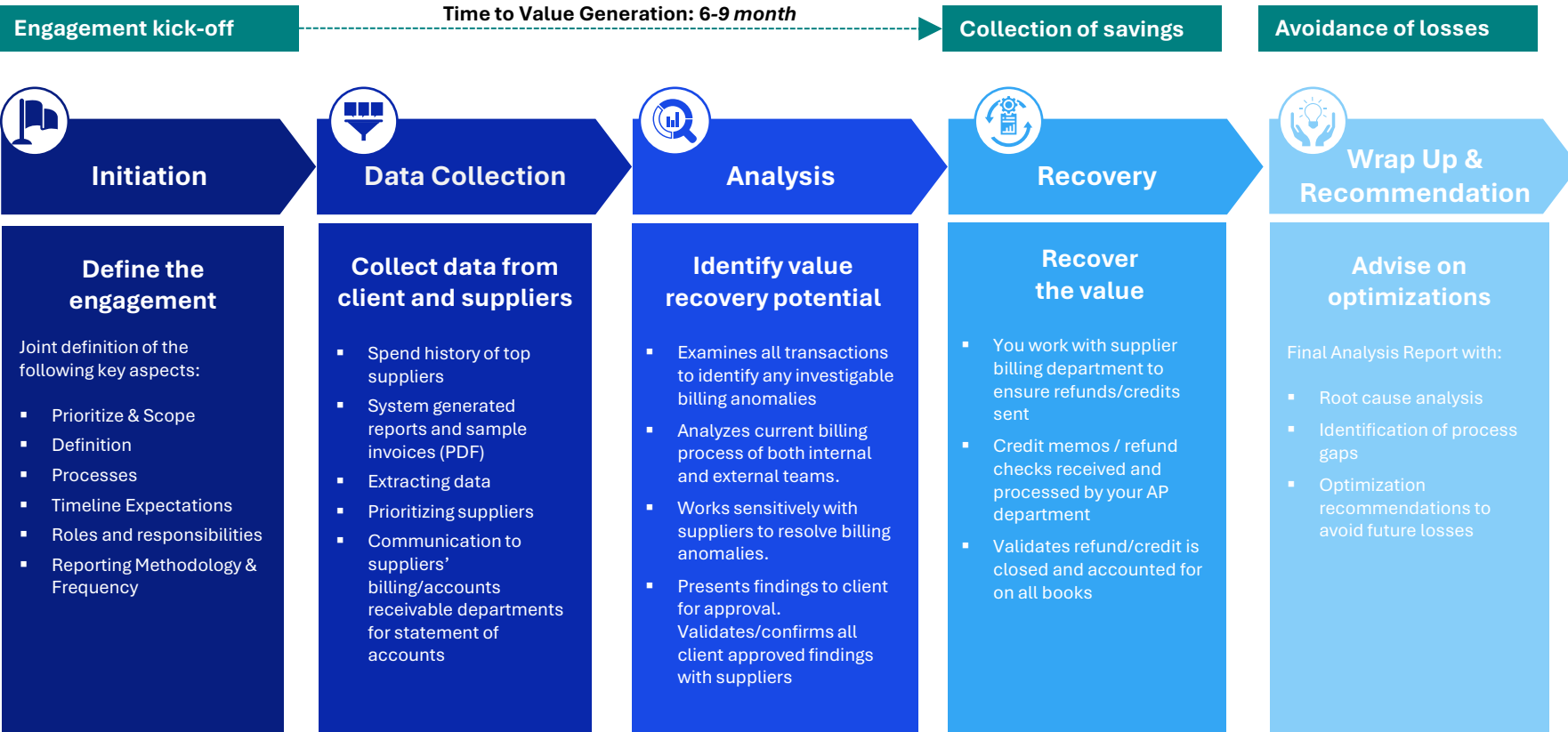
- 01 Unapplied credits**  
Work with suppliers to identify credits and get them refunded to you
- 02 Duplicate payments**  
Identify duplicates and obtain your refunds
- 03 Unclaimed property**  
File all claims and manage the process to recover your abandoned property
- 04 Tax review**  
Review invoices to confirm taxes have been applied accurately
- 05 Volume discounts**  
Validate that volume discounts have been earned, calculated properly and have been received by you
- 06 Rate vs contracts**  
Validate that the rates charged on invoices are in line with the contracts that govern the specific charges
- 07 Telecom savings**  
Review billing for services that are duplicated and have them removed and billing stopped

# The Process

Five step system

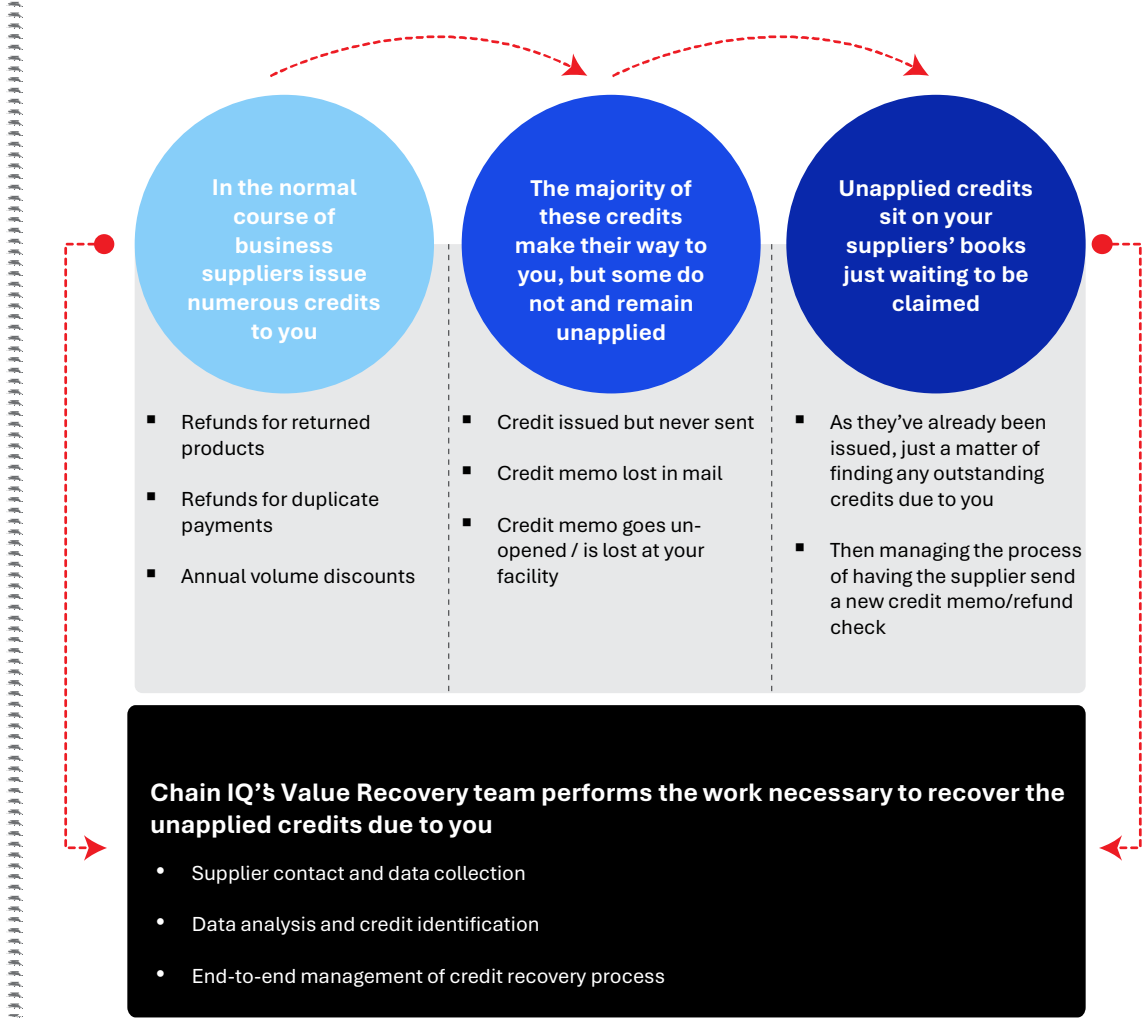
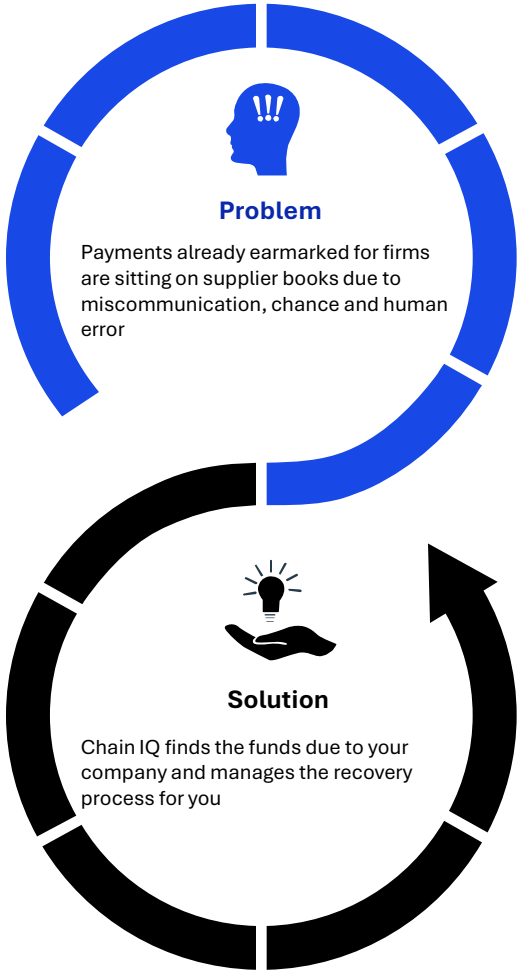
Analyze your company's contract to pay process, identifying and reviewing most significant classes of supplier transactions in terms of deal complexity, transaction volumes and magnitude of involved amounts detecting significant losses.

- ✓ Easy way to add immediate gains to your P&L 6-9 month process, start to finish
- ✓ Eliminate CFO/COO concerns on accuracy, receivables flow, tax processes etc.
- ✓ Improves compliance and process efficiencies to avoid future losses



# Unapplied Credits

What are they?



# Unapplied Credits

## Questions/Concerns

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### What is the likelihood of recovering funds?

- We have recovered more than \$1m every time we have completed this process

### Do you risk angering or alienating vendors?

- There is no incremental cost to them from the collection of this credit. The amount you would be recovering has already been issued by them and counted against their P&L.
- In fact, the Billing departments we've dealt with have been happy to have the credit removed and their books cleaned up!

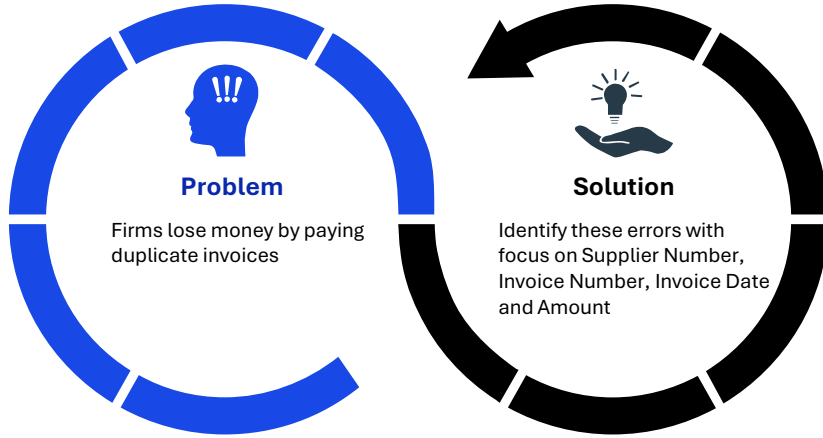
### Do you need a third party to do this?

- The idea is indeed rather clean and clear. The execution, however, is highly detailed and involved
  - Tens of thousands of rows of data
  - Emails and phone calls in the thousands
  - Working with Billing departments in wide variety of geographies / time zones: India, Costa Rica, Poland, China, etc.
- A third party brings deep process knowledge
  - Who to contact
  - What to ask for
  - How to ask for it
  - What to look for
  - What looks like an unapplied credit, but isn't (and vice versa)
  - How to manage the recovery process and ensure successful delivery of funds, etc.

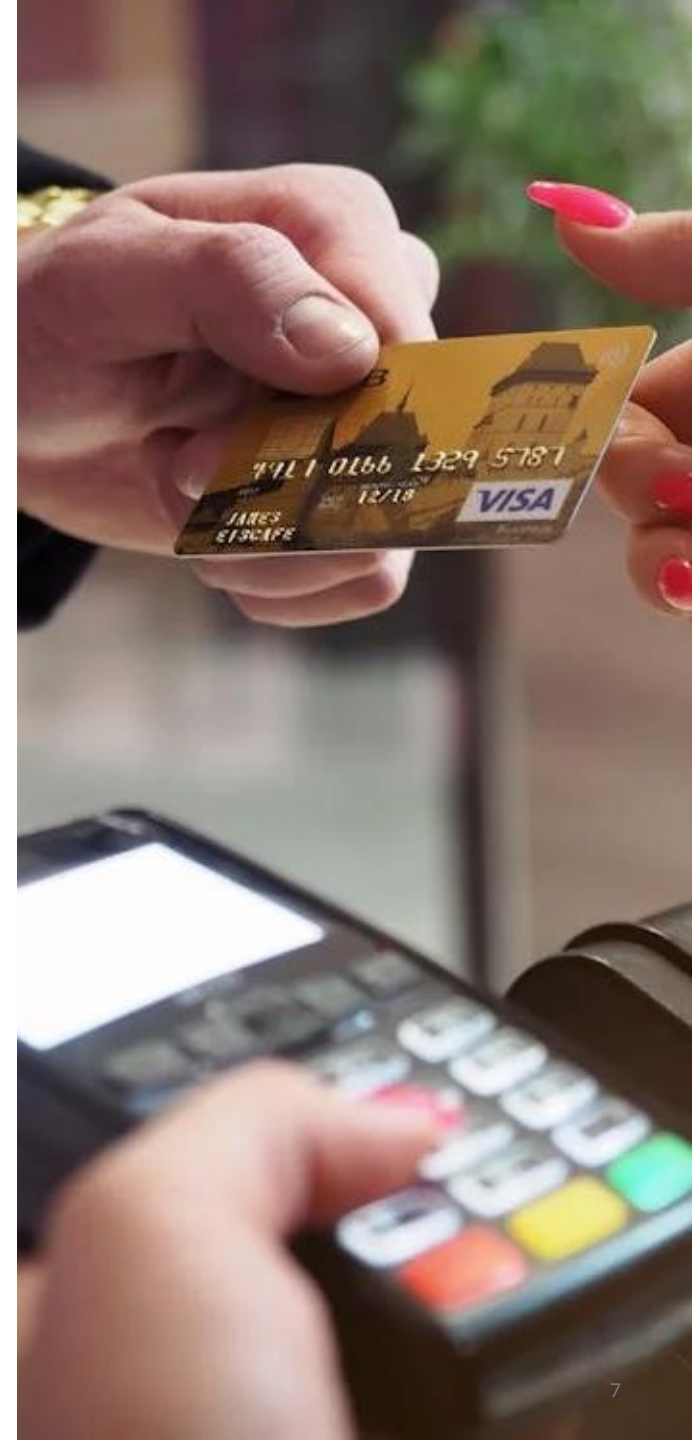
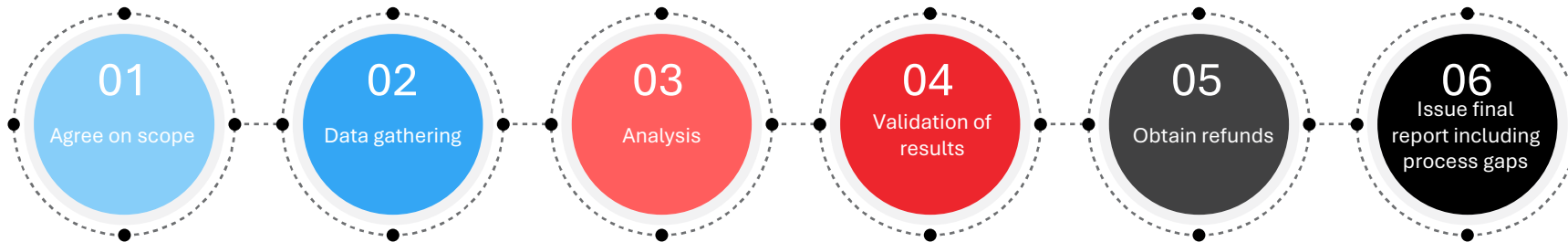


# Duplicate Payments

## Process outline

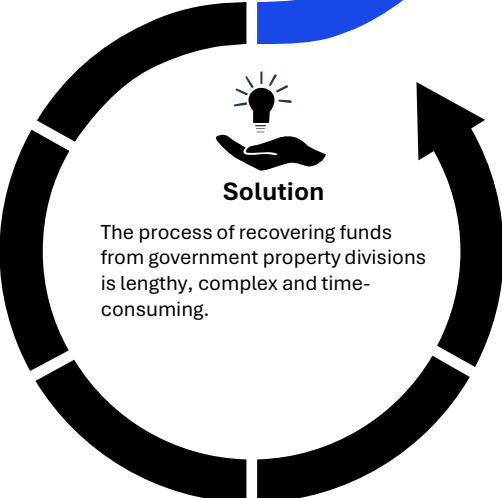


- Scan through your payment history and identify all possible duplicate payments
- Compare invoice transaction data to identify most commonly recovered duplicate types:
  - *Same* invoice number, supplier, invoice currency, invoice date
  - *Same* supplier, invoice currency, invoice date, *Different* invoice number
  - *Same* invoice number, invoice currency, invoice date, *Different* supplier
- Complete a comprehensive analysis by reviewing Accounts Payable data and invoice copies and flag issues to review and confirm
- Diligent follow-up with suppliers will enable you to retrieve funds due



# Unclaimed Property

## Steps to recover funds



Obtain list of your legal entities

Scour all 50 states to identify property

Present findings to you

Focus on states where you do most of your business first



Request claim forms

Obtain all necessary backup (which varies state to state)

File claims with all necessary requirements



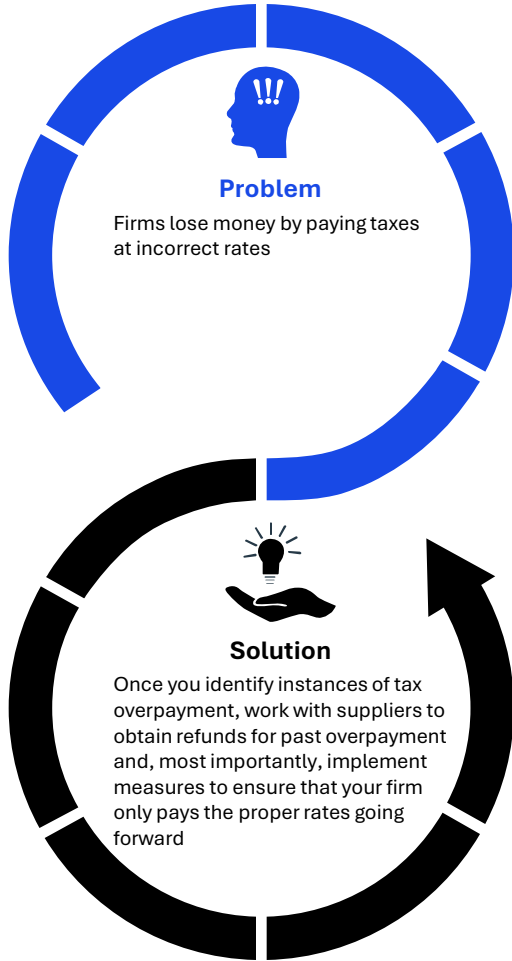
Funds are delivered directly to you

Follow up after funds received to ensure no new funds have shown up



# Tax Reviews

## Areas of focus



There is a lack of awareness of the wide disparity in state-by-state taxation of certain goods and services

- CT taxes software purchases at 0%; NY taxes software at 8.875%
- Most states have tax exemptions for different services

Chain IQ has a dedicated tax team that know the ins and outs of tax codes around the US and the world

- State
- Federal
- International
- Any / all products and industries

We have recovered \$20m for clients over the past 15 years

- \$6m in software
- \$3m in maintenance
- \$2m in hardware
- \$9m in telecom

**Please note that this is not tax sheltering or havening, but simply an assessment of your taxes paid to highlight any instances of overpayment of taxes charged by your suppliers**

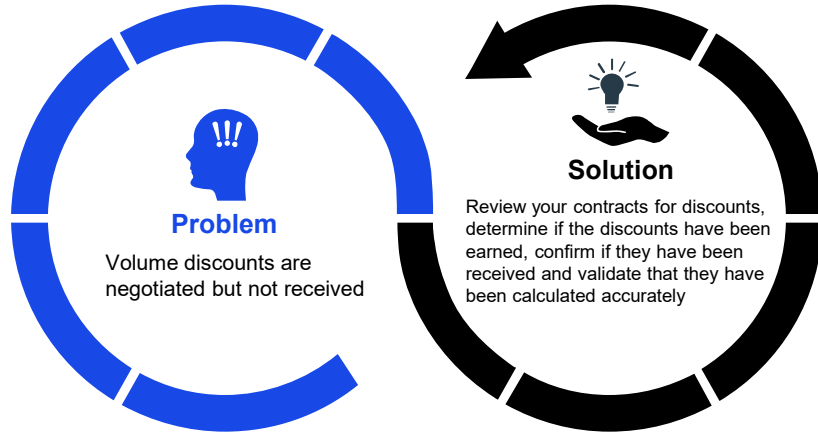
- It is straightforward identification and recovery
- The entire process typically takes 6-9 months

You recover the tax overcharges from your suppliers, no taxing authorities are involved

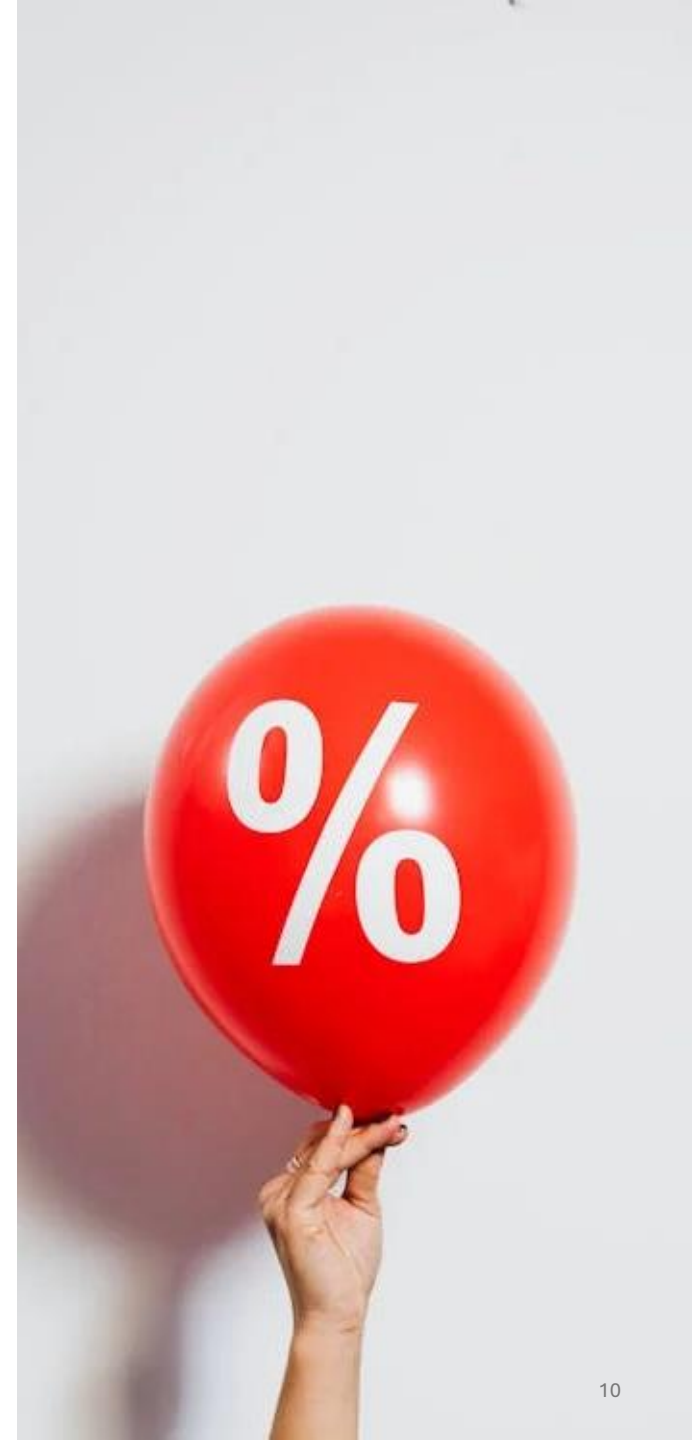
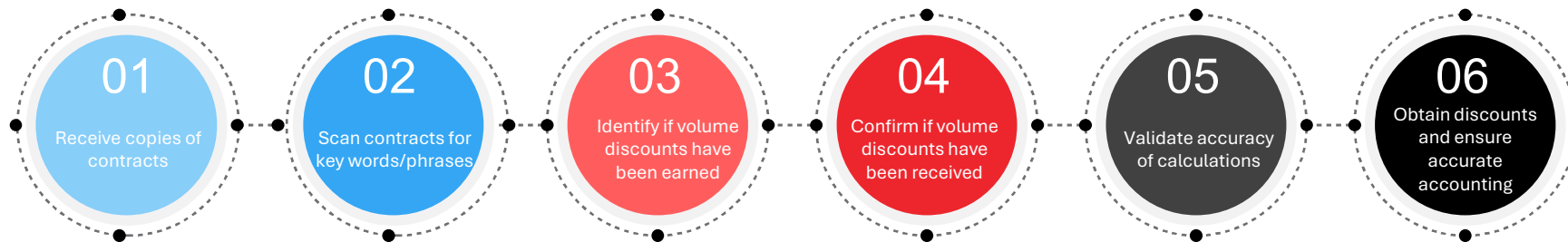


# Volume Discounts

## Process outline

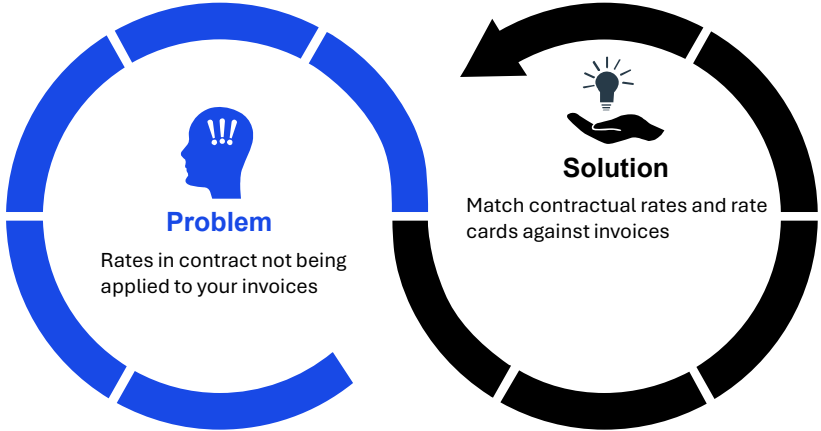


- Scan contracts using AI to identify all key words that formulate volume discounts
- Once discovered, use spend data to determine if volume discounts have been earned
- Scan AP data to determine if appropriate volume discounts have been received historically
- Contact supplier to request volume discount calculations
- Validate all calculations to ensure proper volume discounts have been applied/received

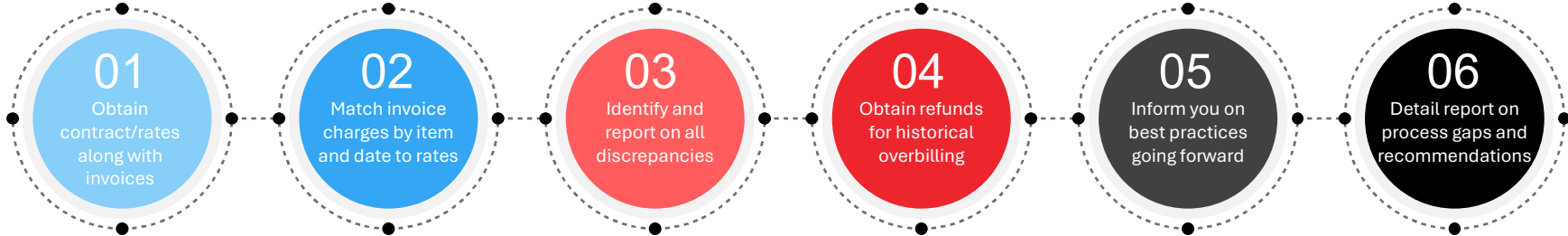


# Rates vs Contracts

## Process outline

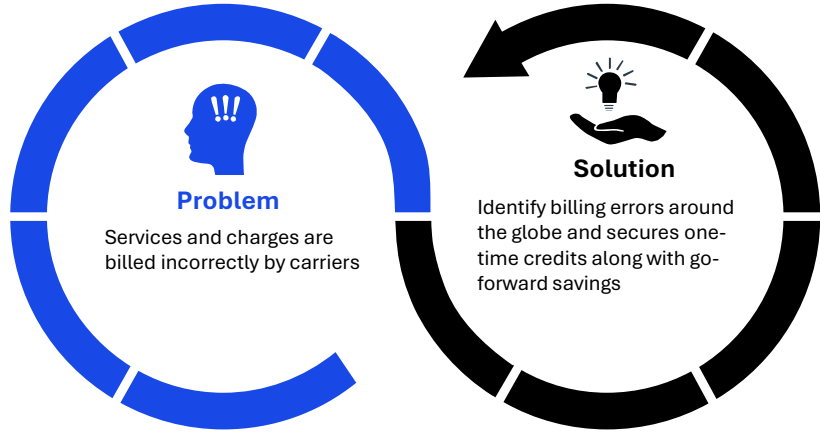


- Obtain rate tables/rate cards from contracts and internal systems
- Match corresponding invoices by supplier and product/item
- Ensure date of purchase lines up with effective date of rates
- File billing disputes for refunds where overbilling has occurred
- Identify any instances where the same product could be purchased at lower rates from an alternate supplier

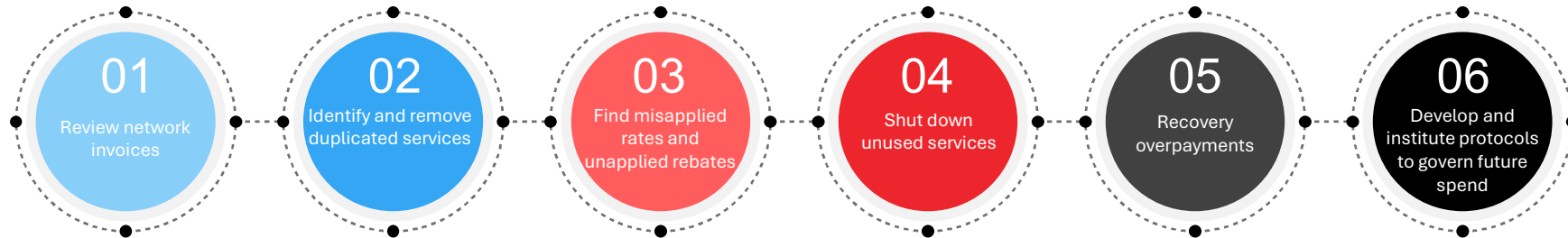


# Telecom Savings

## Process outline



- Confirm rates on invoices comply with rates on contracts
- Identify and utilize unapplied credits (hard to find on monthly recurring invoices)
- Identify and remove duplicated services
- Study utilization to find and remove unused services
- Validate all disconnected lines came off your invoices



# Value Recovery

## Approach

- **Dedicated Global Team** to review rate and term compliance and recover all overpayments
- **Subject Matter Experts:** regional and global experts across all categories and regions
- **Scope of Value Recovery – Key Opportunity Areas:**
  - Invoices
  - Ledgers
  - Contract compliance
  - Tax and VAT
  - Rebates and volume discounts
  - Rate validation
  - Review of vendor escheatment process
  - Financial SLA computation
  - Early payment discount and late payment fee analysis
- **Initial Benefits:** recovery of over-expenditure
- **Future Benefits:** process optimization
  - Process Gap identification
  - Root Cause analysis
  - Process improvements and re-engineering opportunities
  - Benchmark and recommend best-in-class practices
  - Fraud risk awareness
  - Potential IT solutions

### OBJECTIVES



- Review compliance to contract
- Identify business process and contractual gaps
- Identify non-compliance with a focus on financial impact
- Highlight process improvements/opportunities
- Establish a sustainable contract compliance process

### SCOPE



- Audit Period
- Region
- Commodity
- Organizations
- Spend
- Sensitive Suppliers

### OUTCOME



- Expenditure recovery
- Validation of supplier performance
- Enhanced efficiencies and improved relationship
- Process Improvements
- Improved confidence in processes



# Example of Savings Recovered

4 stages to recover funds

	DESCRIPTION	REFUNDS/CREDITS	TAX RECOVERY	UNCLAIMED PROPERTY
<b>IDENTIFIED</b>	Possible savings found in initial review	\$3,940,790	\$3,741,325	\$10,543,987
<b>ACKNOWLEDGED</b>	Possible savings after review with supplier	\$3,898,590	\$3,642,325	\$10,399,987
<b>VALIDATED</b>	Savings after validating with Client	\$3,815,590	\$3,289,754	\$9,949,987
<b>RECOVERED</b>	Savings that have been posted/cleared	\$ 3,783,249	\$3,111,829	\$9,117,641



# Value Recovery: Real Savings

Real life examples of savings that can be achieved

The below demonstrates the results received in many areas of value recovery including **Professional Services, IT, Telecom, Real Estate** as well as **Unclaimed Property**.

	BACKGROUND	DELIVERED
IT AUDITS	<ul style="list-style-type: none"> <li>Completed detailed review of network invoices to identify misapplied rates, unused circuits and unapplied rebates</li> <li>Reviewed invoice vs. contract rates for all IT Software suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Generated in excess of \$10M USD savings annually for over 10 years in telecom space</li> <li>We recovered over \$3.875m USD from overcharges on software licenses</li> </ul>
REFUNDS/ CREDITS	<ul style="list-style-type: none"> <li>The Unapplied Credit emphasis is on high spend suppliers</li> <li>Reconciled Accounts Payable with the Supplier's Accounts Receivable records to identify and recover unapplied credits</li> </ul>	<ul style="list-style-type: none"> <li>Recovered savings of CHF 4.5M by identifying credits open on supplier's ledgers</li> <li>Ensured 99% prompt responses from suppliers that previously did not respond</li> </ul>
TAX INITIATIVES	<ul style="list-style-type: none"> <li>Tax assessed varies widely depending on geographic location and types of products/services purchased</li> <li>Reviewed the tax jurisdiction and products/services purchased to identify potential for overpaid taxes</li> </ul>	<ul style="list-style-type: none"> <li>Obtained over \$1.76M USD in refunded Federal Excise Tax</li> <li>Recovered \$7.83M from UK in HMRC</li> <li>Recovered \$1.375M from state of Connecticut by proper application of sales tax exclusion laws (saving 5+% on taxes)</li> </ul>
RATE VALIDATION/ SLA REVIEW	<ul style="list-style-type: none"> <li>Reviewed contracts to determine where volume discounts applied; Validated catalogue vs. invoices paid</li> <li>Optimized demand based billing including mobile phones and IT subscriptions and SLA monitoring in network/data centers</li> </ul>	<ul style="list-style-type: none"> <li>We collected \$6.6M USD due to identification of missing volume discounts</li> <li>\$4M in SLA recoupments</li> </ul>
UNCLAIMED PROPERTY	<ul style="list-style-type: none"> <li>Reviewed and filed all necessary paperwork for unclaimed or abandoned property and escheatment proceedings.</li> </ul>	<ul style="list-style-type: none"> <li>\$15M USD over 5 years</li> </ul>



# Next Steps: Value Recovery

Where to begin

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## CONSIDERATIONS FOR A SUCCESSFUL PROJECT:

- Supplier MSA / Contract expiring in less than 1 year or any RFP coming up
- Identify suppliers with high spend, focus on Market Data, Telco, IT HW, Facilities or contracts with multiple country spend
- Price Complexity: Is the product simple (considering number of pricing elements and possible combinations)
- Product/Service: Simple to analyze SKUs (Office Supplies) vs. custom services/product (Print, Advertising & Marketing)
- High transaction volumes: High volume high errors, \$ size of average invoice
- Existing internal process / system controls for price compliance
- Multiple regions/global presence

## GET STARTED!

- Review top suppliers by spend for:
  - Refunds/Credits
  - Volume Discounts
  - Rate Validation
  - Tax Review
  - Service Level/Termination dates
  - Unclaimed or Abandoned Property
- Review 5 + years of invoices and related contracts once engagement agreed and commodity categories identified.
- Provide recommendations and enhancements on process improvement, contract term compliance, terminations and change orders, tax rate optimization and streamlining accounts payable.



# Strategic Insight

## Unlocking Hidden Value in Procurement

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### Key Areas to Explore for Value Recovery

Many organizations experience hidden financial leakages within their contract-to-pay processes. A structured review of these processes can help uncover:

- Duplicate payments
- Unapplied credits
- Missed volume discounts
- Incorrectly applied tax rates

These initiatives can be led internally or supported by specialized external partners, depending on the organization's capabilities.

### Begin Your Optimization Journey

- By applying a risk-based methodology, companies can not only recover lost value—often up to 1% of total annual spend—but also strengthen internal controls to prevent future losses.
- Consider assessing your contract-to-pay process to identify both recovery opportunities and areas for long-term improvement.



# Contact

## Information

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