



Advertising Audit & Risk Management

AARM delivers best-in-class risk management with ACL Solutions



Advertising
Audit &
Risk Management

“ACL enables us to conduct more efficient audits with 100% data coverage, giving our company a strong competitive edge. We’re delivering unprecedented risk assessment and best-in-class results to our clients.”

James Bean, Principal and Co-Founder, Advertising Audit & Risk Management

CHALLENGES

- » Accessing vast data volumes in disparate formats
- » Complex agency structures with multiple vendors
- » Agency pre-payment contracts

SOLUTION

- » **Applied Analytics**
- ACL™ Desktop

KEY BENEFITS

- » Significant client expense recoveries
- » Full data coverage quickly pinpoints discrepancies
- » Enhances long-term vendor relationships
- » Repeatable analytics for audit and risk management

INDUSTRY

- » Auditing and Financial Services

REGION

- » North America

Advertising Audit & Risk Management (AARM) is a California-based firm that provides independent advertising audit consulting services to a wide variety of Fortune 100–1000 companies. AARM relies on ACL analytics to repeatedly analyze between \$100 million and several billion dollars worth of annual client advertising expenditures, in order to identify business risks, uncover misused funds, improve processes and tighten controls. With ACL technology, AARM routinely recovers 1-2% of its clients’ annual advertising expenditures – a figure that often totals several million dollars. The company also uses ACL to offer custom consolidated reporting. AARM has strategically applied ACL analytics to provide its clients with business intelligence and financial transparency that is unparalleled in advertising industry relationships.

Customer Profile

Established in 2001, AARM is a leading provider of independent advertising audit consulting services for Fortune 100-1000 companies in industries including technology, consumer products, hospitality, entertainment and financial services. AARM has helped companies such as Burger King, HP, Oracle and Verizon Wireless save millions of dollars by guiding them through the financial and operational risks encountered in advertising. AARM identifies errors and provides turnkey solutions to enable future cost savings, enhanced controls and financial benefits.



Challenges

Historically, the advertising and marketing industry has not experienced the same financial scrutiny that is common in other fields. Large corporations routinely pay agencies hundreds of millions of dollars for a full range of advertising services with minimal client-side review or external auditing.

The advertising industry's pre-pay environment presents another challenge, because clients transfer huge sums of money to agencies based on cost estimates, relying on these firms to repay unused funds and adhere to proper financial controls.

In 2001, AARM launched its advertising audit consulting services, using spreadsheet technologies to pull reports from ad agency accounting systems and perform data testing. The work was cumbersome and manually intensive. Multiple data formats and platforms – including PDF and report files, spreadsheets, and industry-specific management systems – further complicated the audit process.

Solution

After researching multiple technologies, AARM chose ACL solutions to revamp its audit processes and access vast data quantities in multiple formats for detailed, targeted testing. The team quickly enjoyed significant productivity gains. Before applying *ACL*, AARM employed three full-time analysts who spent nearly 300 hours to perform just 12 tests on a single audit. With *ACL*, one staff member now performs over 100 predefined tests in approximately eight hours, saving the firm over \$250,000 each year in overhead and which enabled the reallocation of resources.

AARM works closely with its clients' risk management professionals, including many Chief Audit Executives, to provide financial and business oversight. With *ACL*, AARM can perform high-level data testing, such as reconciling a client's Accounts Payable with paid invoices, and matching vendors with specific disbursements. These tests often lead to significant revenue adjustments and credits, and frequently uncover duplicate payments and overpayments at the agency level – invisible transactions that AARM's clients would otherwise never see.

The AARM team then uses ACL analytics to drill down and reconcile third-party vendor costs with payments, and find small discrepancies in vendor invoice numbers and patterns. These tests quickly pinpoint deviations that can be field-tested for manual entry problems, errors, and fraud.

The analytics also enable AARM to investigate the industry pre-payment environment by matching disparate financial statistics to calculate agency float costs, which often exceed \$1 million per annum. This unprecedented knowledge equips AARM clients to more effectively re-negotiate contracts and pre-payment structures.

Results

ACL solutions have allowed AARM to:

- Boost its internal efficiencies and dramatically cut data testing time. Resources can then be allocated to more value-added activities.
- Achieve full coverage of vast agency data files.
- Quickly find errors and trends that could never have been uncovered with manual interventions.
- Reduce agency involvement time.

ACL technology is flexible and adaptable to multiple formats and provides full coverage of vast agency data files. It also enables targeted data testing which enhances fieldwork and reduces agency involvement time. Data requests are highly focused and highlight control gaps and financial risks. Both clients and agencies benefit from process improvement recommendations and a more transparent business relationship.

ACL analytics enable AARM auditors to detect significant discrepancies, overpayments, billing errors, fraud and ensure compliance with agency-client contracts. AARM client audits frequently encompass several billion dollars in annual client advertising expenditures and recover, on average, between 1 and 2% of that total outlay as payment errors.

AARM employs *ACL* to enhance the quality of their service by enabling them to offer clients continuous monitoring and custom consolidated reporting services. AARM has gained market advantage with streamlined audit processes and financial oversight that mitigates industry-wide business risks.

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