



Can the recovery audit industry keep pace?

Recent changes have increased the complexity of client environments

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Over the past twenty-five years the Recovery Audit industry has seen dramatic change. An industry once bound by an auditor's ability to wade through reams of paper is now bound by the speed of Intel processors sifting through gigabytes of electronic data. The automation of the industry plus the addition of governance and compliance regulations has presented the modern day recovery auditor with unprecedented levels of complexity. Likewise client environments have matured forcing recovery audit decision makers to re-evaluate long standing relationships. Can the recovery audit industry keep pace?

Other than the obvious shift from paper to electronic media there have been a number of factors that influenced the recovery audit business. For twenty years corporate America painstakingly added ERP and sophisticated accounting systems to operating infrastructures. Often accompanying these implementations were process reengineering and improvement initiatives. Since 2002, SOX compliance and increased regulatory measures placed pressure on management to dramatically improve controls within operational and financial systems. Over the last ten years billions of dollars were spent annually in upgrading and fine-tuning such controls. Finally, the emergence of continuous auditing techniques pushed the practice of random sampling towards a broader review of 100% of all operational transactions.

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All of these factors combined to create a more complex and significant roles in the recovery audit industry. As the industry matured, exposure to potential loss decreased along with the typical recovery audit firm's opportunity for revenue. In the past, as clients became more sophisticated, recovery firms had the luxury of simply moving to greener pastures or finding a new client. As greener pastures became harder to find generic recovery firms were forced to change. What did they do? Below are a few responses:

Movement to new industry segments:

The recovery audit industry started in the retail sector. To this day the retail sector remains the most adamant user of post audit services. As recovery audits became common practice there was a natural expansion from the retail sector into new markets. The commercial market exploded and by the early 2000's healthcare and government sectors had followed the manufacturing and financial services sectors as consistent users of recovery audit services. As the recovery audit industry grew some firms became public companies which forced growth and pushed multi-industry national practices into global practices.

Expansion of services beyond core recovery audit processes:

As opportunities became harder to find recovery firms expanded service offerings to bolster revenue lost to maturing environments. Expanded service offerings included consulting services, benchmarking and data analytics services, and the development of continuous monitoring software products. All