Auditor's Promotion Checklist

Promotions are typically a large portion of a manufacturer's spend, especially for manufacturers that use an indirect sales channel (products sold directly or through distributors to local independent dealers). On average, we find that our clients promotional spend is 9-13% of their revenue and of that an average fraud rate of over 5%.

Here is an average break-down based on a $1 billion revenue manufacturer.

Promotion Type	Avg. % of Revenue	Avg. % Non-Compliant/ Potential Fraud	Dollar Amount on $1 billion
SPIFFs (Sales Incentives)	1.25%	5%-9%	$875,000
Instant Rebates	1.25%	2%-5%	$437,500
Consumer Mail-in Rebates	1.5%	7.5%-12.5%	$1,500,000
Sell Through Allowances	2.5%	2%-5%	$875,000
Co-op / MDF Funds	0.75%	1.5%-3.5%	$187,500
Misc. Funds	3.75%	5%-8%	$2,437,500
Totals	**11%**	**Avg. 5.5%**	**$6,125,000**

Fight the myth that random audit combats fraud

The Reality: Expecting to detect fraud with random audits is like trying to win the lottery, it is a long-shot! The fact is, there is too much information and too many claims to employ a successful random audit method. You need to take a systematic approach to fraud and employ proven models that are used in forensic accounting. Fraud detection is all about measuring and investigating the variances. The variances could be in sales, invoice numbers, serial numbers, distance to store from consumer, neighborhood of purchase, etc.

Attached is a checklist our team has created to assist clients when reviewing their promotion spend and the practices they use to mitigate fraud.

If you have questions or require further information feel free to contact us.

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Auditor's Checklist

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DESCRIPTION	YES	NO
Identify the promotions that are being used ❏ Spiffs ❏ Instant Rebates ❏ Mail-in Rebates ❏ Sell Through Allowances ❏ MDF / Co-op ❏ Other Sales Incentives ❏ Consumer Loyalty Programs ❏ Consumer Contests ❏ Sales Associate Contests ❏ Dealer Rebates ❏ Misc. Promotions	❏	❏
Serial Number Validation ❏ Are Serial numbers being used ❏ Are they being validated against products manufactured ❏ Are there duplicate serial numbers on products being manufactured ❏ Are they tracked to what retailer purchased the product ❏ Is there format validation ❏ Is there logic to the serial number like manufactured date that can be used ❏ Is serial number checked against backup documentation	❏	❏
Invoice Number Validation ❏ Is invoice unique for this model ❏ What is "distance" this invoice number from recent invoice range and linear with sales dates ❏ Is invoice number in correct format for location ❏ Is Invoice number checked against backup documentation	❏	❏
Sales Associate Checks ❏ Are you tracking audit score(like credit score) on people ❏ Is this in line with average sales incentives over period of time ❏ Identify high risk sales associates through association	❏	❏
Store Checks ❏ Is this a valid store for this model ❏ Was this product sold to this store ❏ Does store information match backup documentation	❏	❏
Consumer Authentication ❏ Checking name that it's real (i.e. not Mickey Mouse) ❏ Are you checking against a suspect name database ❏ Has this person purchased previous products ❏ Is there a similar name with a purchase in the same program	❏	❏
Consumer Address ❏ Cleanse address ❏ Distance from store location ❏ Frequency of mailing to this address ❏ Are you checking against address suspect database ❏ Is address a PO box	❏	❏
IP Address and Device ID ❏ How frequently has this IP been used ❏ Are you checking IP against suspect database	❏	❏
Date Purchased ❏ Is the date within the range of the program ❏ Does date match backup documentation	❏	❏
Date Delivered ❏ Is the date before the invoice date ❏ Does date match backup documentation ❏ Is the date before today	❏	❏
Invoice Template Match ❏ Does the invoice match the template for the dealer or previously used invoices for the dealer location	❏	❏