

# Auditing Timeline

## Top-Line Version

As a complement to their book *Agency Audits: How to Achieve Success*, Joanne Davis and Jane Twyon have created a timeline that takes marketers through the auditing journey. Click on a task to learn more about each stage.

Week	Task
<b>Week 1</b>	1. You decide to audit your agency(ies) and set objectives. ( <a href="#">Task 1A</a> ) <ul style="list-style-type: none"><li>• Select an internal team leader. (<a href="#">Task 1B</a>)</li><li>• Select an advertiser stakeholder team.</li></ul>
<b>Weeks 1 and 2</b>	2. Decide if you want to bring in a consultant to help manage this process and any area-specific issues. ( <a href="#">Task 2</a> ) <ul style="list-style-type: none"><li>• Select a consultant with industry-specific experience.</li><li>• Define the role of the consultant and set their fee.</li></ul>
<b>Week 2</b>	3. Decide if this should be an internal audit, external audit, or combination. ( <a href="#">Task 3A</a> ) <ul style="list-style-type: none"><li>• Identify the type or types of audits that may be considered:<ul style="list-style-type: none"><li>◆ Contract compliance.</li><li>◆ Financial. (<a href="#">Task 3B</a>)</li><li>◆ General media.</li><li>◆ Media Value (with benchmarking on cost and/or quality areas).</li><li>◆ Production.</li></ul></li></ul>
<b>Week 2</b>	4. Read your existing contract to understand the audit and work agreements already in place with the agency. ( <a href="#">Task 4</a> )

Please click on a Task link for additional information.

Week	Task
<b>Weeks 2 and 3</b>	5. Create an RFI if you are seeking an external audit firm. ( <a href="#">Task 5A</a> , <a href="#">Task 5B</a> )
<b>Week 3</b>	6. Identify several outside audit companies and send them an RFI. 7. Send out an RFP to the most qualified finalists (based on the RFI). ( <a href="#">Task 7A</a> , <a href="#">Task 7B1</a> , <a href="#">Task 7B2</a> )
<b>Week 4</b>	8. After receiving the RFPs from your finalists, check their references.
<b>Week 4</b>	9. Select and meet with the winning auditor to finalize the audit parameters, fees, and objectives. ( <a href="#">Task 9</a> )
<b>Week 5</b>	10. Notify your agency.
<b>Week 5</b>	11. Auditor provides the client team with a detailed presentation on the scope and process of the audit.
<b>Week 6</b>	12. Auditor has a kick-off meeting with the agency. ( <a href="#">Task 12</a> )
<b>Week 6</b>	13. Auditor and agency approve the final audit processes and auditor makes final presentation on the methodology of the audit to their client.
<b>Weeks 6 and 7</b>	14. Agency gathers information based on the auditor's requests and templates for delivery to auditor.
<b>Weeks 7 to 12 (varies by scope)</b>	15. Auditor conducts review.
<b>Week 12</b>	16. Auditor presents findings to the agency and comes to an agreement on the final presentation that will be given to the client.
<b>Week 12</b>	17. Auditor presents finding to the client stakeholders.
<b>Week 12</b>	18. Agency delivers a "report card" on the auditor. ( <a href="#">Task 18</a> )
<b>Week 12</b>	19. Next steps are established. ( <a href="#">Task 19</a> )

Please click on a Task link for additional information.



## Task 1A. Setting Objectives

Since this is a very technical area, we recommend that your procurement, marketing/advertising director, and internal media director be included in this initial discussion. The following is a checklist to review in your meeting:

- Determine what will be evaluated and against what benchmarks.
  - Identify your current benchmarks.
- Discuss the options for a full versus sample audit. The final decision can be made once the auditor is selected.
- Consider the type(s) of audit that you want and decide on the details.
- Identify all legal issues.
- Identify the timing for the audit and the time period to be covered.

## Task 1B. Selecting your internal audit team and project leader.

### To consider:

- Whether you manage the audit internally or use an external industry expert audit company, the process should begin with identifying the project leader and the stakeholders who will be included on all correspondence.
- Should the audit be led by marketing or procurement?
- What role should the brand managers have?
- What is the role of the advertising and media groups?
- How many stakeholders need to be involved and how much of their time do you estimate you will need?
  - How many meetings will you hold?
  - Who is the point person for questions?
- Who is going to get the final report?

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## Task 2. Consultant Expert

### When deciding to bring in a consultant to help with this process, ask yourself:

- Do you want to make building a better agency/client relationship/processes part of the objectives of the audit?
- Do you have a changing media program which may veer off plan and/or buying guidelines?
- Do you need an audit that will give you a bipartisan point-of-view?
  - Will your agency be defensive?
  - Will your auditor have a bias to show weakness in your program?

## Task 3A. Internal or External Auditor

### When deciding between an internal or external auditor, ask yourself:

- Do you have in-house expertise that will not be biased to the current work?
- Do you have in-house talent with available time?
- Do you think that part of the audit can be internal and part external?
- How do you want to prioritize roles for internal versus external auditors throughout the process?
- Should the audit be a mile wide and an inch deep or an inch wide and a mile deep? Or can you afford to have a full audit?
- Do you want to look at financials only?
- Do you have a time limit that must be met?
- If possible, review your past audits:
  - What did you audit?
  - How long has it been since the last audit?
  - What did you learn in the last audit?
  - What did you do as a result of the findings?

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### Task 3B. Review Objectives for a Financial Audit

- Assess compliance with the contract and your company's policies.
  - Identify alternative approval processes and determine if they are working efficiently.
  - Assess compliance with laws and regulations in your business category.
- Determine the accuracy of bills and payments.
  - Match actual payments to the approved buying authorizations.
  - Match marketer payments with agency/vendor payments.
  - Align credits, discounts, rebates, and makegoods with original invoicing.
- Determine if the agency procedures are efficient for speed of payments and operations control.
  - Understand the agency's financial systems.
  - Are the transactions properly recorded, processed, and summarized?
  - Are the exceptions agreed upon, understood, and noted in documents?
  - Identify significant accounting cycles.
  - Assess timing to settle discrepant invoices.
  - Identify and understand relevant control/proof activities.
- Determine the timing of bill payments and identify exception procedures.
  - Assess cash flow (float).
  - Assess discrepancy payments.
- How many discrepancies are there? How long does it take to correct and pay these invoices?
- Identify quality control tools:
  - Training and turnover.
  - Required reports.
  - Controls for proofing.

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## Task 4. Existing Contract

**Take the time to review your agency contracts. Make sure you understand the audit agreement.**

- Who pays?
- How often can you audit?
- What are the restrictions on what can be audited?
- What are the contract stipulations or guidelines on timing and advance notice to the agency?
- To what degree is the scope of services document attached to the contracts for production and media assignments? Are work expectation agreements accurate and current?
  - Does your agreement with the agency allow you to share the contract with an external auditor or do you need to extrapolate a more limited information document for this audit from the scope/contract?
- What work or process agreements contractually or in process would be helpful for the auditor to understand?
- To what degree do you have clear manpower/fees/commission documents?
- To what degree do you have clear agreements on all other charges including travel, entertainment, etc.?

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## Task 5A. Sample Auditor RFI Cover Letter

Dear Candidate:

This RFI (Request for Information) is being provided to you to assess the capabilities of consulting firms for a potential audit our company is considering. Please see the attached exhibit for requested information.

Our company *[include some background on your company]* and our high-level needs *[include details on any requirements]*.

The focus of our audit will be on:

*[Select and customize based on your needs—for example:*

- *Agency labor.*
- *Fee benchmarking.*
- *Media compliance.*
- *Television audit.*
- *Contract compliance.*
- *Production.]*

If your firm meets our preliminary requirements, you may be invited to participate in our RFP (Request for Proposal). This RFI does not commit our company to proceed in further discussion with your firm or to embark on this work. There will be no reimbursement to the candidate firms for submitting the RFI or potential RFP.

RFI should be sent to *[client contact information]* and the due date is *[date]* (any responses received after will not be accepted). Via *[email or hard copy.]* If you have questions, please email them to *[client]* by *[date]*. We will answer questions by *[method]*. We will conduct a bidders conference on *[date]* or *[date]*. Please email us with your day and time preference. *[Note: bidders conference optional for RFI.]*

At this time our decision/next step dates are *[dates]*. We expect to select a small group of finalists and will advise all firms the week of *[date]*.

Thank you for your interest.

Sincerely,

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## Task 5B. Sample RFI Questionnaire

### Firm Overview

- Name of firm, year, and state incorporated.
- Firm ownership and history.
- Parent company, subsidiaries, and affiliates.
- Office locations, in addition to headquarters.
- Financial statements, or some evidence of financial stability.
- Services and areas of expertise by function and industry specialization.
- Client list noting retainer and repeat clients.
- Are you currently working for and/or have you previously worked with any of our competitors? If so, please describe and advise on firewalls in place.
- Competitors and competitive differentiation.

### Leadership of Firm and Staff for Our Engagement

- Please provide your organization chart.
- Please provide bios for the firm's leadership and key staff who would work on our assignment, and be specific about their relevant experience, including:
  - Preliminary roles and responsibilities.
  - Detail of their backgrounds in agency or media.
  - Finance work.
  - Number of years spent in agency and audit work.
- What is your rate of turnover?
- If you use sub-contractors, please describe.

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## Process

- What is your process for conducting work similar to that described earlier in this RFI? Please include two relevant cases.
- How do you ensure protection of confidential information such as incorporating rate information you verify for us into your database that you share with other clients?
- What material and resources would you need from the client and the agencies to perform the work?
- What is your estimated timing?
- What is your estimated cost? (flat fee, hourly rates, etc.)

## References

Provide two relevant client-side references, including one from procurement and one from marketing/media, and one agency reference. Note: We will only call references of the finalist firms.

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## Task 7A. Sample RFP Cover Letter Framework

Dear Candidate:

Based on your RFI response, we are providing you with our RFP (Request for Proposal).

Objective: ***[Provide details of the objectives of your audit.]***

Background: ***[Provide details on why the audit work is needed.]***

Consultant/Auditor Deliverables: ***[Provide a scope of work the auditors will be expected to follow, deliverables expected, timing, and key milestones.]***

Consultant/Auditor Selection Criteria: ***[Detail in priority order the basis by which you will select the winning firm.]***

Team and Costs: ***[Share requested methods for receiving consultant/auditor fee proposal. You can provide a template so the proposals are returned in a consistent manner for easier comparisons.]***

RFP should be sent to: ***[Provide client contact information.]***

Due Date: ***[Date]*** (any responses received afterwards will not be accepted).

Format: ***[Email or hard copy.]***

Questions: If you have questions, please email to ***[client]*** by ***[date]***. We will answer questions by ***[method]***. We will conduct a bidders conference on ***[date]*** or ***[date]***. Please email with your day and time preference.

Intention to Submit: Let us know by ***[date]*** if you intend to submit.

Next Step Dates: We expect to invite a smaller group of finalists to an in person meeting at ***[location]*** on ***[date]*** or ***[date]***.

Thank you for participating and we look forward to getting to know you better.

Sincerely,

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## Task 7B1. Sample RFP

### Firm Overview

- Primary and secondary contact.
- Name of firm, year, and state incorporated.
- Services and areas of expertise by function and industry specialization (optional if previously covered in RFI).
- Client list noting retainer and repeat clients (optional if previously covered in RFI).

### Leadership of Firm and Staff for Our Engagement

- Please provide your organization chart.
- Provide bios for key staff who would work on our assignment, and be specific about their relevant experience, including:
  - Preliminary roles and responsibilities.
  - Detail of their backgrounds in agency or media.
  - Finance work.
  - Number of years spent in agency and audit work.

### Process for Our Engagement

- What is your recommended process?
- How do you ensure protection of confidential information such as incorporating rate information you verify for us into your database that you share with other clients?
- What material and resources would you need from the client and the agencies to perform the work?

### Cost and Timing

- Provide detailed cost proposal as a fixed bid.
- Provide detailed timeline, including milestones.

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## Task 7B2. Sample RFP Questions and Reasons to Ask

Note: Some of marketers combine the RFI and RFP forms.

Request Questions for Audit Firms	Why Ask?
Primary and secondary contact info.	Future correspondence.
Name and bios of management, lead auditor, and team members, including relevant experience to assignment, years of experience, and roles and responsibilities.	Look for backgrounds in finance, media, and agency work. Look at their length of time in the audit business. Bios may have come with RFI; however, the RFP should provide specific team member roles and responsibilities.
Recent case examples (including references) on expertise in each relevant area. (This is optional if it was combined with the RFI.)	You need to understand how the auditor works and the depth of their experience.
Services. This may have been covered in part by the RFI, but some RFPs ask specific questions related to requirements and auditor services (primary and secondary).	<p>Ensures that there are no conflicts of interest—audit firm should specialize in audits rather than also do agency reviews/searches, as they would be motivated to find audit issues to fuel additional work in an agency search.</p> <p>Learn if they manage the financial audit internally or if they sub-contract this work, as you might be better served hiring the sub-contractor directly.</p>
<p>Sample methodology for a client assignment:</p> <p>1. What is your process?</p> <ul style="list-style-type: none"> <li>• Verification of financials</li> <li>• Post-analysis</li> <li>• Buy analysis</li> <li>• Cost benchmarking</li> <li>• Assessment of buying guidelines</li> <li>• Extended quality evaluations</li> <li>• Print positioning</li> <li>• Digital placement</li> </ul>	To ensure that the auditor's processes and resource tools are consistent with the marketer's and the agency's processes and tools.

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Request Questions for Audit Firms	Why Ask?
<p>Sample methodology for a client assignment, cont'd:</p> <p>2. What are your third party resource tools?</p> <ul style="list-style-type: none"> <li>• Nielsen—specifically: minute-by-minute, quarterly, or annual data</li> <li>• TNS</li> <li>• MRO</li> <li>• Competitive data</li> </ul> <p>3. What are your unique tools and what do you do beyond the agency reports?</p> <ul style="list-style-type: none"> <li>• Identify discrepancies beyond general DDS systems</li> </ul> <p>4. Describe how you provide “apples-to-apples” comparisons between the agency data and your data—timing, resource, and updated guidelines?</p>	<p>To ensure that the auditor’s processes and resource tools are consistent with the marketer’s and the agency’s processes and tools.</p>
<p>Describe how you collaborate with your clients and the agencies you are auditing.</p>	<p>Provides insights into their personality and approach to agency to avoid an adversarial situation and help with agency relations.</p>
<p>How much time and level of access to the agency do you envision? Do you request hard copies, existing reports, or electronic reports? Describe your typical data requests.</p>	<p>Provides insights into how much agency time will be needed for agency involvement in the audit versus managing their day job.</p>
<p>Describe your competitive analysis capabilities.</p>	<p>Understand what they deliver and how they define your competitors. Some auditors only use general databases (theirs or a third party’s) for this analysis.</p>
<p>Do you combine our data with data from other clients in your database and by what categories are they broken out? What firewalls do you have in place?</p>	<p>Determine if you are comfortable with your data being incorporated into the auditor’s database, especially if the sub-samples are small. Ask if they would agree to an outside auditor reviewing their database for stability and relevance.</p>
<p>Do your audits pay out and by what percent? Describe your definition of payout including cash-back value in makegoods, value in buying improvements, etc.</p>	<p>Helps determine if their payout approach is consistent with your expectations.</p>
<p>What is your proposed fee?</p>	<p>There is a great deal of variety. Some charge based on scope and some offer a discount based on a longer-term contract. The majority do not work on recovery dollars as that may compromise the audit’s integrity.</p>
<p>How do you handle audits outside the U.S.? Who are your partners and affiliates?</p>	<p>It’s good to ask for U.S. costs and costs outside the U.S. separately.</p>

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## Task 9. Initial Auditor Meeting Agenda

- Discussion and agreement on audit:
  - Scope: Set objectives and audit parameters.
  - Agree on deliverables, including format for presenting findings.
  - Timelines:
    - ◆ Be aware of the time the agency will need to prepare a response to the findings.
- Finalize any issues or questions with methodology or auditor resources.
  - Discuss sharing this information in kick-off agency meeting.
- Have a discussion on tone and transparency with agency.
  - Establish an agreement on the management of conflicts or questions.
  - What level of information will be shared with the agency and when?
- Finalize auditor fee.
- Agree to key meeting dates.

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## Task 12. Kick-off Agency Meeting

- The auditor should manage this meeting.
- Make sure the auditor gives any detailed requests to the agency.

### Sample List of Items Needed for Kick-Off Meeting

Advertiser/marketer and/or auditor details information/data needed before agency meeting. Deliver the outline to the agency prior to the meeting and then use the meeting to elaborate and answer questions.

Items Requested (Not all items will apply to every client.)	Notes	Number of Copies Required (Specify if all copies should be electronic.)	Deliver To	Delivery Date
General outline				
Time period covered in audit				
Timetable for audit work	End date			
Request for invoice data				
Invoices to be reviewed	By size, time period, medium, third-party invoices, job jackets			
Areas to be audited	By agency area and/or media or station			
Payments to media (including matching report)	By time period of other sample			
Discrepancy reports	By time period of other sample			
Billing to client (including matching reports)	By time period of other sample			
Request for financial reports	By time period of other sample			
Cash flow documents				
Description of reconciliation process				
Requests for backup documents for fee audits	Usually requested annually			

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Items Requested (Not all items will apply to every client.)	Notes	Number of Copies Required (Specify if all copies should be electronic.)	Deliver To	Delivery Date
Internal timesheets				
Contracted staffing plan				
Scope of work contract agreement				
Request for media audit details	Detail sample period or annual			
Station/media affidavits				
Third-party media vendor contracts				
Flowcharts				
Post-buy report				
Initial buy				
Final negotiated buy				
Latest buy detail				
Buy authorizations				
Buying guidelines				
Buying guarantees				
Added value documentation				
Emails that changed the buy specs				
Creative codes and guidelines				
Request for production audits				
Job jackets	By type, size, and time period			
Talent payments				
Request for additional contract compliance audits				

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Items Requested (Not all items will apply to every client.)	Notes	Number of Copies Required (Specify if all copies should be electronic.)	Deliver To	Delivery Date
Insurance policies				
Third-party release forms				
Key employee confidentiality forms				

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## Task 18. Auditor Report Card—Agency Exit Comments

- To be completed by the key agency people involved in the audit.
- The objective is to complete the audit process with a review on the auditor from the agency. This is to ensure that all work was done in a fair and professional manner and encourage cooperation from both auditor and agency.

### Sample Questions/Format

- Please fill in the following questions so we can continue to improve on our auditing process.
- Responses are
  - 1 = Yes. Excellent
  - 2 = Fine. Did their job
  - 3 = No. Had problems, if so, please comment.
- Overall assessment of the audit work, process, and people?
- Evaluation of the auditor’s methodology and resource capabilities.
- Were the auditors knowledgeable about agency and client business?
- The auditor was efficient in managing their time and your manpower time.
- Were the auditors responsive to your suggestions?
- Were you in agreement with the results?

## Task 19. Next Steps

- It’s important to establish future expectations:
  - Changes in process.
  - Changes in reporting.
  - Changes in negotiating.
  - Changes in planning.
- Identify timing and expectations for next audit.

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## Further Your Learning

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