



The Indirect Spend Audit: Finding & Arresting Margin Leakage

A play-by-play for uncovering hidden costs, securing unmanaged spend, and maximizing operational margins through an audit-based procurement framework.



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The Silent Profit Killer

Every business works hard to protect its top-line revenue. Sales teams chase new accounts, marketing campaigns drive demand, and operations teams optimize production lines for peak efficiency. Yet behind the scenes, capital is quietly draining away.

Indirect purchasing (think office supplies, logistics, utilities, food, shipping, corporate travel, and more) keeps the corporate machinery moving. But because these purchases are scattered across dozens of departments and hundreds of individual suppliers, they create an ideal environment for financial oversight failures.

10-20%

of target cost savings eroded
by maverick spend

10-30%

above contract rates paid on
spot purchases

1-3%

revenue leakage from poor
warehouse data

3-8%

of all logistics invoices
contain systemic billing errors

The result is margin leakage: a slow, invisible erosion of profit that won't show up as a crisis on your P&L but compounds into substantial financial damage over time.

This playbook introduces an audit-based approach to procurement. We'll show you how to identify hidden value drains, pinpoint systemic compliance failures, and arrest margin leakage before it impacts your bottom line.

Defining Margin Leakage

DEFINITION

Margin leakage is the slow, systemic erosion of profit that occurs when the actual cost of a purchase exceeds the negotiated or intended contract price acting as an invisible tax on operations that directly reduces EBITDA.

Think of it as a series of tiny punctures in your corporate budget. A slight price discrepancy on an office supply invoice. A missed volume rebate from a logistics partner. An automated contract renewal that went unnoticed.

Individually, these punctures seem trivial. Collectively, they add up to significant, preventable financial loss.

Unlike a sudden budget crisis, margin leakage doesn't trigger immediate red flags on your profit and loss statements. It hides within everyday operational friction, completely invisible unless you know exactly where to look.

That invisibility is precisely what makes it dangerous and precisely why an audit-based approach is the most effective way to find and stop it.



Why It Matters

The financial consequences of leaving indirect categories unmanaged are substantial and the case for acting has never been stronger.

McKinsey Research

*Tackling indirect spend can reduce overall costs by **10–25%** and reduce the manual effort involved in supplier governance by **30–50%**.*

When profit margins shrink from uncontrolled leakage, your procurement function loses its strategic agility. Capital that could fund supplier innovation programs, sustainability initiatives, or digital procurement transformation is instead wasted on correcting preventable billing errors and absorbing supplier inefficiencies.

Rather than driving value as a proactive business partner, your sourcing team becomes bogged down in reactive contract remediation and tactical dispute management.

Every dollar saved through an audit goes directly to the bottom line making indirect spend auditing one of the **highest-ROI activities** in a procurement leader's toolkit.



Why Indirect Spend is Vulnerable

While direct procurement receives intense scrutiny, indirect spend routinely slips through the cracks. Several structural factors make it uniquely susceptible to leakage.

Buyer Fragmentation

Unlike raw materials managed by a centralized sourcing team, indirect goods are purchased by stakeholders across the whole business. This decentralization makes standard oversight nearly impossible to maintain without dedicated infrastructure.

High Transaction Volume

Indirect categories involve thousands of low-value transactions. Tracking and verifying every invoice against its corresponding contract becomes a monumental task for accounts payable teams and most errors slip through unchecked.

Unmanaged Tail Spend

A significant portion of indirect procurement falls under tail spend which are ad hoc purchases made outside of preferred vendor agreements. This unmanaged spend is highly susceptible to price increases and supplier markups with no mechanism for correction.

Complex Supplier Agreements

Many indirect contracts contain complicated pricing structures, tier-based discounts, and automatic inflation adjustments that are incredibly difficult to track manually over time, creating gaps that suppliers can exploit, often unintentionally.

Mapping the Trouble Spots

To arrest margin leakage, procurement teams must first map the operational landscape. Here are the four most common areas where profit routinely disappears.

Maverick Purchasing

Employees bypassing established procurement processes to buy independently. This rogue spending eliminates the benefits of negotiated corporate discounts and creates "dark" data that is impossible to analyze or benchmark. Off-contract purchasing is one of the most pervasive and costly forms of margin leakage.

Erodes 10-20% of target cost savings

Mismatched Invoices

Suppliers occasionally bill incorrect amounts that don't match original contract agreements. Without an automated verification process, these inflated charges are paid without question. It may sometimes happen for months or years before anyone notices. Logistics invoices alone contain systemic errors in 3–8% of cases.

3–8% of logistics invoices contain billing errors

Unclaimed Rebates & Volume Discounts

Many corporate contracts promise financial rebates once certain purchasing thresholds are achieved. Organizations regularly miss out on these savings simply because they fail to track volume accumulation throughout the year. By the time anyone notices, the rebate window has closed.

Missed savings that were already negotiated

Automatic Contract Renewals

Indirect software licenses and service agreements often feature evergreen clauses. When these contracts automatically renew without a competitive review, businesses end up overpaying for unneeded resources (sometimes for years) because no one tracked the renewal date or evaluated alternatives.

Unreviewed renewals lock in above-market rates

The Step-by-Step Audit Blueprint

Procurement teams can regain control by implementing a structured, audit-based framework. Follow these five sequential phases to identify and stop value leaks.

1

Consolidate Spend Data

Gather all transactional histories, supplier agreements, and invoice records. Move away from siloed spreadsheets and centralize this information into a single repository to achieve total spend visibility. You cannot audit what you cannot see and most organizations are surprised how fragmented their data actually is when they first attempt this step.

HOW TO DO IT

Involve accounts payable, finance, and department heads early. Data consolidation requires cross-functional cooperation and frequently surfaces previously unknown spend sources.

2

Categorize

Organize consolidated spend data into clear categories like office products, janitorial supplies, IT hardware, shipping, food procurement, and so on. This structured approach enables benchmarking across similar business activities and makes it possible to identify which categories have the highest leakage exposure relative to their spend volume.

HOW TO DO IT

Use a consistent taxonomy across all data sources. Inconsistent category naming is one of the most common reasons spend analysis produces misleading results.

3

Perform Contract Verification

Cross-reference your actual invoice lines against your master supplier contracts. Identify any instances where suppliers charged premium rates instead of your negotiated corporate pricing. This process can be automated. Procurement platforms and invoice matching tools can flag discrepancies at scale, making manual review unnecessary for high-volume categories.

HOW TO DO IT

Prioritize the highest-volume categories first. Even a 1% billing error rate in a \$2M spend category represents \$20,000 in preventable loss.

4

Quantify Maverick Activity

Identify which departments are purchasing outside of your preferred vendor network. Calculate the difference between the prices they paid and the prices available through established contracts. This data is critical, not just for recovering lost savings, but for understanding which processes are driving rogue behavior and fixing them at the source.

HOW TO DO IT

Approach maverick spenders as a source of process feedback, not as rule-breakers. They often identify genuine gaps in your procurement offering that, once fixed, bring them back into compliance voluntarily.

5

Establish Continuous Monitoring

Implement key performance indicators to track compliance going forward. Monitor metrics including spend under management, invoice error rates, and contract adherence to ensure the leaks remain plugged permanently. A one-time audit is valuable; an ongoing monitoring program is transformative.

HOW TO DO IT

Review KPIs monthly at minimum. Quarterly reviews are too infrequent to catch emerging leakage before it compounds.

Best Practice Auditing Tips

Follow the Three-Lines-of-Defense Model

Assign clear accountability where operational managers own the spend risk, procurement provides the compliance framework, and internal audit offers independent oversight. Each line reinforces the others.

Deploy Statistical Sampling

Review a scientifically selected random sample of high-volume indirect transactions to identify systemic billing errors without checking every single invoice. This makes large-scale auditing operationally feasible.

Establish a Clear Audit Trail

Document every contract change, purchase order modification, and invoice approval to ensure transparent accountability that stands up to external regulatory scrutiny and enables faster dispute resolution.

Maintain Absolute Objectivity

Base all procurement findings strictly on verifiable, data-backed transaction logs rather than departmental assumptions or supplier explanations. Data integrity is the foundation of a credible audit.

Verify Source-to-Pay System Integrity

Test that your procurement software configuration actually enforces negotiated pricing terms automatically at the point of purchase. Many organizations discover their systems allow price overrides that should be blocked.

Automate Contract Renewal Tracking

Build renewal dates into a centralized calendar with 90-day advance alerts. Every automatic renewal that goes unreviewed is a missed opportunity to renegotiate, consolidate, or eliminate unneeded spend.

Partnering for Protection: How Una Stops the Bleeding

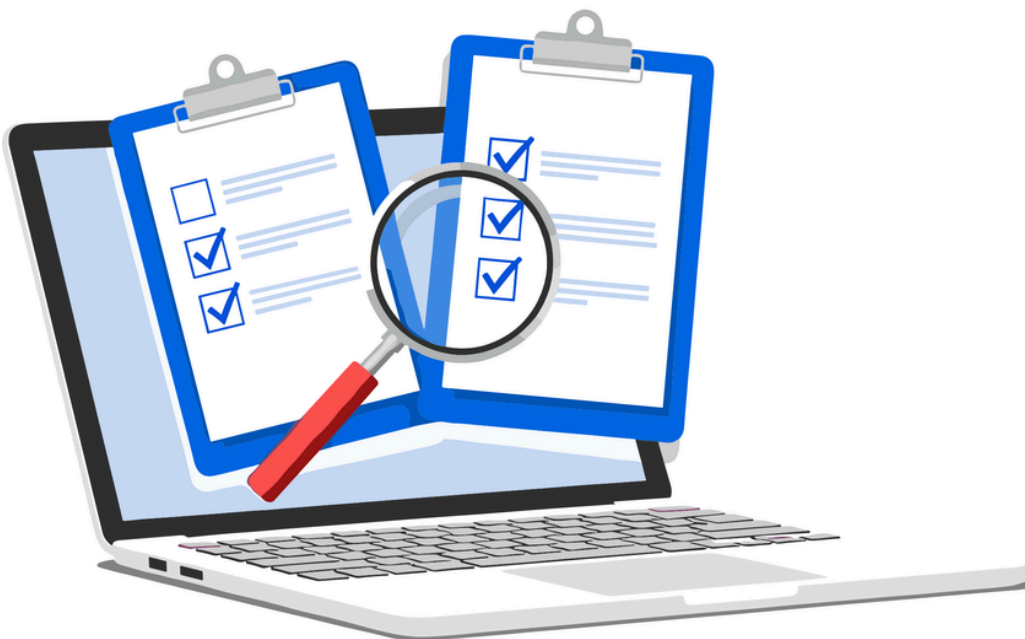
Executing a thorough internal audit can place a heavy burden on already stretched sourcing teams. This is where partnering with a group purchasing organization like Una delivers immediate value, providing both the buying leverage and the advisory expertise to arrest margin leakage without adding headcount or operational complexity.

Unmatched Buying Leverage

Una commands more than \$100B in combined group buying power, allowing members to access premium enterprise pricing tiers that are typically out of reach for companies negotiating on their own. This collective volume is what makes GPO contracts resistant to the price inflation that drives margin leakage in unmanaged categories.

Instant Access to 2,500+ Pre-Negotiated Contracts

Skip the lengthy RFP process entirely. Members receive immediate access to over 2,500 pre-negotiated contracts with the nation's best suppliers across a broad range of indirect categories. Every contract is already verified, benchmarked, and ready to activate, eliminating the spot-rate exposure that inflates indirect spend.



Proven Financial Impact

Una members realize an average of 18–22% savings across high-volume indirect spend categories. Beyond headline savings, Una's approach actively surfaces hidden contract discrepancies and eliminates rogue spending, directly addressing the leakage sources mapped in this playbook.

Rapid Cost Analysis

Una's sourcing advisors conduct a rapid cost analysis using your historical spend data to map transactions directly to the established supplier portfolio, identify where price discrepancies occur, and lock in preferred rates within days, not months.

A Trusted Sourcing Community

Una supports over 10,000 active members and maintains a 97% customer retention rate. Membership is completely free to join and free to use, with zero purchasing minimums or obligations. Members choose which contracts to activate and remain in full control at all times.



Case Study

Arresting Leakage Across a Multi-State Behavioral Health Network

A rapidly expanding behavioral health facility network was facing significant margin leakage across multiple states. Because the organization lacked a centralized procurement function, individual locations were purchasing operational supplies independently, creating extensive maverick spend and unmanaged tail categories.

Rising inflation and market disruptions made it critical to arrest these financial leaks quickly.

Una stepped in to conduct a swift cost analysis on the member's operational spend. Sourcing advisors matched transactional data against the supplier portfolio, identifying immediate opportunities for consolidation and contract optimization.

Within weeks, Una connected the facility network to deep pre-negotiated discounts, completely streamlining their purchasing workflow.

27%

Average savings achieved across all audited categories with results delivered within weeks of initial engagement

49%

Savings on Office Products

22%

Savings on Food Costs

20%

Savings on Staff Uniforms

20

Savings on JanSan/MRO

Stop Letting Minor Punctures Become Major Losses

Leaving your indirect spend categories unexamined is an expensive choice in a competitive business environment. But by applying an audit-based framework to your procurement processes, you can turn unmanaged data into a powerful tool for financial growth ensuring hard-earned revenue stays exactly where it belongs. The process begins with clean data.

A comprehensive cost analysis identifies where leakage is occurring, which categories are most vulnerable, and where group purchasing contracts can lock in pricing that eliminates the conditions for rogue spend.

You don't have to tackle this alone.

When you partner with Una, you gain a strategically dedicated team to helping your organization save money, time, and effort with sourcing experts who handle the heavy lifting of data verification, contract optimization, and supplier governance so you can focus on driving long-term profitability.

Ready to find and arrest your margin leakage?

Contact Una today to request a comprehensive cost analysis and see how group purchasing power can immediately protect your bottom line.

Visit www.una.com to learn more.



