



CONTRACT COMPLIANCE SERVICES

Advertising Agency Contract Compliance

ADVISORY

Advertising expenditures represent a key cost of doing business in today's competitive marketplace. But for many companies, it's unclear whether they're receiving full value for their money. That's because companies often rely on their agencies to self-report on contract compliance and proactively monitor media placements. And while many agency personnel are beyond reproach, executing and interpreting today's complex contracts can easily lead to mistakes – and overcharges.

This makes it imperative that companies monitor their advertising expenditures and review them for proof of performance. Unfortunately, many companies hesitate to implement these types of contract compliance procedures because they lack understanding of the issues or fear damaging their relationships with key business partners.

And that's where KPMG's Advertising Agency Contract Compliance team can help.

We Understand the Issues

As part of KPMG's Contract Compliance Services (CCS), our professionals perform various agency engagements on behalf of our clients. These professionals can help our clients recover costs, often while helping to

enhance relationships between clients and their advertising agencies. We're able to accomplish this because of the extensive contract compliance experience of our professionals. This background helps them seek out root causes of overcharges by evaluating areas such as those listed below.

General Billing

- Existence of executed contracts
- Fees and commissions
- Adherence to contract billing terms
- Discounts and rebates owed to clients
- Travel and entertainment policies
- Review of direct client expenses

Creative Services

- Legal clearance procedures for creative work

- Licenses for intellectual property
- Advertising production charges
- Competitive bidding procedures
- Use of independent contractors

Media Services

- Execution of approved media plans
- Media buying effectiveness
- Placement confirmation
- Vendor credit procedures
- Post-buy analysis procedures
- Co-op advertising

General Operations

- Segregation of agency duties
- Internal controls
- Disaster recovery plans
- Insurance coverage
- Conflict of interest compliance
- Tracking of budgets versus actual charges

We Deliver Value

As a result of their industry knowledge, our compliance professionals can help our clients monitor costs and improve processes by identifying:

- Undisclosed use of related-party advertisers that charge excessively high fees
- Expenditures for unauthorized items such as personal benefits to agency employees
- Nonplacement of advertisements
- Inappropriate calculations of total service costs
- Expenditures through unauthorized media or locations
- Risk areas for contract noncompliance
- Use of unproductive advertising dollars
- Enhanced contract terms and conditions

And while these types of process improvements can have a direct effect on the bottom line, they also can benefit a company in other ways. For example, discovering inaccurate reporting can help with Sarbanes-Oxley section 404 (S-O 404) compliance efforts, because it helps demonstrate that effective financial reporting controls are in place.

In addition, establishing these types of processes can often strengthen the relationships between our clients and their advertising agencies. That's because we use a nonadversarial approach that helps reduce the tension and mistrust that can often underlie self-reporting relationships.

The KPMG Difference

Gaining the full value that is due from contracts is clearly a chief concern for today's companies – in terms of enhancing income, reducing costs, and meeting S-O 404 compliance issues. Fortunately, KPMG's Contract Compliance Services is well positioned to help. In fact, our CCS offers companies a number of key advantages, including:

- Significant experience. Our dedicated partners and professionals have deep industry experience in helping companies around the world increase revenue or reduce costs as well as resolve complex relationship and contracting issues.
- Understanding of partner relationships. We recognize the dynamics in business relationships and work in a nonadversarial way to help business partners understand the terms of their agreements. We also help establish compliance reviews as routine control measures.
- Proven methodologies and approach. Our approach reflects our leading practices and enables us to provide detailed work plans that focus on the specific environment and underreporting evaluation.
- Help where you need us. Our CCS teams are able to tap into KPMG International's network of member firms to provide contract compliance professionals wherever – and whenever – you need them.

Greater value from contracts. Better protection of contractual rights. More effective financial reporting controls. Improved relationships with key business partners. Industry-specific experience. And a dedicated practice. These are just some of the reasons why companies around the world turn to KPMG's Contract Compliance Services professionals. Every day.

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