



# **COST CONTAINMENT AUDIT**

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This operations audit is oriented to practical cost saving and cost reduction. No organization can fail to significantly benefit from acting upon the findings of an honest and timely review of what and how the organization is doing...and what it is not doing. Raising a clear and pinpointed question is often the key to uncovering a hidden problem, cost slippage, or revealing a sound solution. Profit, service, and personnel pay a penalty when organizations are not as effective nor efficient as they might be. Not every question is capable of being directly answered; the nature of the questions are to stimulate your cost containment thinking. The goal is to discover operating opportunities for making cost improvements and reducing unnecessary expenditures.

## **A. ORGANIZATIONAL MANAGEMENT**

1. Where are costly mistakes being made because there are no training programs, written procedures, outdated controls, lack of monitoring for compliance?
  
2. If you were in the shoes of your President, what are three (3) opportunities for cost improvement you would insist upon before a new annual budget was approved?
  
3. What specific budgets include cushions or "ill-defined fat" which dilutes the effectiveness of running a tight operation and budget control effectiveness? In which budgets are hidden adjustments made to compensate for budgeting "errors?"
  
4. Identify the need for tighter controls and/or where active controls presently do not exist (where is there performance and cost slippage). Where has any control been established three years or more without change and these controls are ineffective, inoperative, or inactive?

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5. Identify, in your operating area, four (4) items-services-functions which generate excess cost or money waste (items-services-functions which should be more tightly controlled and monitored):

## **B. DEPARTMENTAL MANAGEMENT**

1. Identify projects which lack priorities; how could time scheduling be improved through clear prioritizing? Where are priorities missing from plans?

2. What activities, projects, services, support efforts should be discontinued in your area?

3. Identify three (3) activities-projects where you wish to invest your time which would prove to be more valuable to your boss, the organization, and others?

4. What are two (2) areas or opportunities in my department where concentrated effort could help to recover operating costs and prevent excess expenditures?

5. Are all departments being guided and pushed equally to achieve results?

6. Is departmental deadwood being attended to? Are there too many "blockers and complainers" here?

### **C. INFORMATION, FORMS & SUPPLIES**

1. Identify data, information, or paperwork which is accumulated in excess, stored unnecessarily, and is not needed or fully utilized:
2. Recommend forms and files which are not needed; identify forms which are stored and in inventory, but are NOT used, files and records which can be purged.
3. The generation of reports is costly. Identify reports which can be either shortened and made more concise, or amputated from the management system.
4. Information overkill: Information generation, transmittal, reading and storage is costly: 1) Identify what data is in the wrong form or exists in too much volume; 2) Where are there too many unnecessary copies (individuals do not use them):
5. Suggest controls or ways to decrease printing and reproducing costs.
6. Where do we maintain too much inventory creating storage costs and handling problems?
7. Where should sources of supplies be consolidated, or purchasing practices changed to get volume discounts or greater internal operating efficiencies

8. Where does wastage occur in postage, purchase of publications, or long distance phone use?

#### **D. SYSTEMS & PROCEDURES**

1. Crisis Analysis: Some decision-makers insist upon handling every crisis even though some of the crises are repetitive events. Where do we need written policies or procedures to handle recurring events so that there repetitive events can be delegated or handled more efficiently by others (or prevented)?

2. Asking and answering inquiries is time consuming...time is costly. Identify three (3) areas of inquiry which should be turned into documented systems and procedures (written ways to handle). Identify where management could prevent problems, rather than focusing their time on fire-fighting:

3. What organization-wide procedures, practices, services are outdated and should be discontinued?

4. Where could the work of any department/section be combined with that of another part of the organization; cost savings could occur by combining two or more work units? What duties or functions of one department could be combined beneficially into other work areas for work simplification and cost reduction?

5. Unnecessary delays: Where is cost generated because of bottlenecks in work flow, inaccurate procurement lead time, poor scheduling, etc? Where can delays be minimized (contained idle-time or done-time), frequently recurring "emergencies", missing information, etc.?

## **E. HUMAN UTILIZATION & DEVELOPMENT**

1. Employee turnover is costly. In our organization, where has employee turnover been a costly problem? What changes are needed to decrease this expensive turnover?

2. Are there any "make-work" positions? Where do we have to recognize "obsolete" people and/or obsolete functions which do NOT contribute significant outputs for real contribution? Identify outdated positions for critical review:

3. Climate: Human productivity is effected by environmental factors. Recommendations for improved working conditions in your area: (light, temperature, noise, cleanliness, air circulation, work space, etc.)

4. Over-sights, errors, mistakes, and injuries occur when skill level is below what is needed and expected. Where does our organization need skill-improvement training programs?

5. What recommendations should be made on reducing costs of personnel overtime or too much use of temporary personnel (overload help)? Where would use of overtime or temporaries represent actual cost saving?

6. Where is marginal performance tolerated? Where are mistakes overlooked? Where does work have to be redone and reworked?

## **F. TECHNOLOGY & TOOLS**

1. What machines and equipment are underutilized?
2. Where are tools, big or little, needed in order to do things more cheaply, quicker, or better?
3. What equipment obsolescence or poor maintenance of tools is actually costing us money?
4. Identify manufacturers of office equipment and supplies which should be invited in to conduct an audit of equipment and systems that generate, convey, receive, process and store work or information (potential cost saving and reduction):

## **G. TIME MANAGEMENT**

1. Where are we generating unnecessary costs through duplication of efforts, duplication of time being spent, overlapping assignments between people-functions?

2. Asking people to attend meetings is costly. Identify four (4) meetings which (a) can be spaced further apart or (b) omitted permanently.

3. Identify three meetings per month you can ask to be permanently excused from:

4. Identify five (5) time-wasters or time-robbers (activities which spend time, not invest your time):

5. How are travel and meetings off-premises generating extra cost?

## **H. INVESTMENT BY KEY RESULT AREA TO REDUCE COSTS**

1. Where can we reduce costs by spending more on customer service?

2. Where can we reduce costs by spending more on people growth?

3. Where can we reduce costs by spending more on quality?

4. Where can we reduce costs by spending more on productivity?

5. Where can we reduce costs by spending more on innovation systems and ideation?

6. Where can we reduce costs by spending more on getting sales, cost reduction efforts, or increasing profitability?

7. Where can we reduce costs by spending more on organization climate improvement?

## **I. PLANNING & CONTROL**

1. Where do we waste effort and resources by having unclear direction, lack of planning and absence of priority setting?

2. Identify long-standing, high-cost situations that indicate unsolved problems. What is missing in our managing system that causes this

3. Where is there suspected theft? Where can protective controls and security systems be made more sensitive and adequate?

4. Which assets need greater protection? Where do we need increased asset protection?