

HOW YOU CAN BENEFIT FROM AUDITING YOUR LEASE

*****Do you feel like your real estate costs are higher than they should be...they probably are!*****

WHY LEASE AUDIT?

Scenario 1

Your company purchases \$100,000 dollars in office supplies. The P.O. is approved, supplies are ordered and delivered. An employee checks:

- Each item (e.g. pens) matches the description on the P.O.
- Each item has the quantity indicated on the P.O.

If there are no exceptions, the P.O. is approved and the invoice is paid.

Scenario 2

Your company signs a lease for office space and receives the following invoices:

- Rental advice notice showing amounts to be paid monthly to the landlord;
- Invoices for hydro, telephone and other utilities, insurance, repairs, cleaning services, etc., for the leased premises;
- Invoice for operating expenses including cleaning, insurance, repairs, etc..., for the previous year payable to the landlord;
- Invoice for increases to the current monthly payments as a result of the operating expense invoice.

What and how does the employee approving the payment verify to ensure you are only paying what is required and not more?

If you are like most companies, you don't have the time or resources to conduct a thorough analysis of the invoice and validate it against the complex legal language in your lease. The invoice sits on your desk for several weeks (or months) until the landlord sends a demand notice stating that you are not up to date on rental payments, exposing you to the risk of default.

You simply pay the invoice as stated by the landlord, likely resulting in recurring overpayments every year.

Lease Audit – Why?

Leases are complex legal documents designed to allocate risk and cost onto either party. The landlord engages a lawyer and a real estate professional to ensure that the lease protects their interests and enables them to flow through as much of the buildings operating expenses as possible.

The landlord has one accounting system, different leases with each tenant and complex calculations for estimating additional rent – the risk of error is substantial. But do you think that the landlord reviews every individual lease to see what he can and cannot charge back? The answer is **NO** – the landlord prepares a common adjustment sheet, which is distributed to all tenants and **it is up to you to ensure that this amount is accurate and justified in accordance with your lease.**

Lease Audit – The Benefits

- Recover amounts that have been overpaid in previous years
- Reduce occupancy costs going forward
- Identify unfavorable lease clauses for remedial action during renewal negotiation
- Elevate fraud awareness and deter fraudulent activity
- Identify, develop and implement process improvements

Are you an ideal candidate for a Lease Audit?

Ask yourself these questions and if you can't answer them with ease, it is probably time to consider auditing your lease:

1. Do the employees who review the invoices consult the leases?
2. What do you pay every year as Additional Rent (operating expenses and taxes)?
3. How much has this amount increased from last year? Since you first took occupancy?
4. How much of your annual real estate costs are verified against the lease?
5. Have you ever questioned the amounts estimated by your landlord?
6. What credits available to you in the lease contract have actually been collected?
7. Are you actively benefitting from the clauses that were negotiated into your lease contract?

Landmark has literally put millions of dollars back into our clients' pockets while simultaneously reducing future occupancy costs. [Click here](#) to learn more about our Lease Auditing services and how to get started on properly controlling your real estate costs.

