

Law Firm Uncovers \$136K in Potential Overcharges with Lease Audit



CASE STUDY



Challenge

A law firm noticed a significant and unusual increase in building operating expenses charged by its landlord.



Solution

Armanino's third-party contract compliance experts performed an in-depth lease audit, which identified numerous operating expense errors and other potential overcharges under the lease agreement.



Result

The law firm identified a combined financial recovery amount of \$136K in potential overcharges and tightened the language in the lease to mitigate future overcharges.

Client Challenge

A large California law firm noticed a significant increase in variable expense charges from its landlord. Upon this discovery, the law firm performed a cursory assessment of the lease charges, covering the past three years of activity. In doing so, the firm detected an alarming spike in operating expense fees, including the most recent year, when fees increased by more than 15%.

Our Solution

The law firm engaged Armanino's third-party compliance experts to review their lease agreement and identify areas in the contract that may have left the firm vulnerable to overcharges. This required an in-depth lease audit, during which our professionals looked at the lease agreement over a multi-year period, reviewing the lengthy lease contract language and identifying areas within the agreement that were not allowable.

The audit took six weeks to complete and required our experts to work directly with the landlord and their local property management team. Armanino recorded the landlord's detailed statements on how the chargeable amounts were determined and obtained supporting documentation.

The audit team quickly identified multiple areas of the contract that used vague language, leaving room for subjective fees and expense allocation overcharges. With these areas identified, the law firm was able to step in and define the contract more narrowly.

Results

After reviewing the third-party lease agreement, eliminating vague language and identifying exactly what is and is not allowable under the contract's terms, the audit team reported a potential financial recovery of over \$136K to the law firm (more than three times the cost of the audit). The team also helped the firm save on future expenses by redefining terms and narrowing the scope of the contract.

“Armanino provided an ideal experience for us with their speed and efficiency thanks to their knowledgeable and diligent team. Their insight and guidance was very helpful and appreciated! We look forward to working with them again. **Cole S. Otto**
Senior Security Analyst, Inflection

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