



Contract Price Adjustment Audit

Northstar Fabrication (fictional)

Review period: July 2026 adjustment
Prepared within two business days

AUDIT CONCLUSION

Correction recommended. The pricing workbook used a three-month average, while the clause calls for the final March index. The recalculated adjustment is 2.80%, not 2.45%.

EXPECTED ADJUSTMENT

+2.80%

Clause-based result

APPLIED ADJUSTMENT

+2.45%

Pricing workbook

VARIANCE

+0.35 pts

Potential underbilling

ANNUAL IMPACT

\$6,300

On \$1.8M scope

Scope reviewed

One redacted contract clause, one distinct index-linked formula, one July 2026 adjustment period, the source-index inputs supplied for the example, and the customer's current pricing workbook result.

Calculation summary

Step	Clause requirement	Audited input / result
Index basis	Final March value	Base 300.000; current 312.000
Index movement	Current / base - 1	312.000 / 300.000 - 1 = 4.00%
Affected share	70% of index movement	4.00% x 70% = 2.80%
Guardrails	+3.00% cap; -2.00% floor	Neither guardrail binds
Final adjustment	Round to nearest 0.01%	+2.80%

Confidence note High confidence in the arithmetic; medium confidence in the index mapping because the sample clause names the BLS industry but does not state the exact series identifier.

Redacted clause reviewed

"Beginning July 1 of each year, unit prices will adjust by seventy percent (70%) of the percentage change in the Producer Price Index for Fabricated Metal Product Manufacturing, comparing the final March index for the current year with the final March index for the base year. Any annual increase is capped at 3.00%, any decrease is limited to -2.00%, and the result will be rounded to the nearest 0.01%."

Independent recalculation

Index change

$$(312.000 / 300.000) - 1 = 4.00\%$$

The +3.00% cap and -2.00% floor do not change the result.

Contract adjustment

$$4.00\% \times 70\% = 2.80\%$$

What differed

Clause requires

- Final March index
- Single-period comparison
- 70% pass-through
- Cap, floor, then rounding

Workbook applied

- February-April average
- 3.50% index movement
- 70% pass-through
- Result: 2.45%

Findings

Priority	Finding	Why it matters
HIGH	Averaging window does not match the clause.	Changes the July adjustment from 2.80% to 2.45%.
MEDIUM	Exact BLS series identifier is not stated.	A similarly named series could be selected later.
LOW	Source snapshot was not attached to the workbook.	Makes later review harder after revisions.
PASS	Cap, floor, affected share, and rounding were applied in the right order.	No correction needed for these mechanics.

Impact illustration On \$1,800,000 of annual pre-adjustment sales, a 0.35 percentage-point gap equals approximately \$6,300. Actual impact depends on the products and revenue to which the clause applies.

Recommended actions

- 1 Correct the July calculation** Replace the three-month average with the final March value and update the adjustment to 2.80%.
- 2 Confirm the exact series** Add the precise BLS series identifier to the calculation record and, at renewal, to the clause or schedule.
- 3 Preserve the evidence** Save the source publication date, final/preliminary status, values used, formula, and approval with the pricing file.
- 4 Check affected prices** Verify which SKUs, locations, and revenue are in scope before applying the estimated dollar impact.

What one \$250 audit includes

Included

- One contract or amendment
- One distinct adjustment mechanism
- One adjustment period
- Index and input verification
- Independent recalculation
- Short PDF audit and one clarification

Quoted separately

- Multiple formulas or contracts
- Historical lookback across periods
- Invoice or SKU population testing
- Clause drafting or negotiation
- Legal interpretation or disputes
- Ongoing index monitoring

Redaction and confidentiality

PriceClause does not need a full contract. Before sending, remove customer and supplier names, contract numbers, product names, part numbers, signatures, pricing, volumes, and unrelated terms unless an item is required for the calculation. Submitted materials are used only to prepare the requested review and are not included in samples or marketing.

Minimum useful inputs: operative clause, exact index reference, base period, current period, adjustment date, formula weights, and any caps, floors, lags, or rounding rules.

Important limitations

This service is an operational calculation review. It is not a legal opinion, contract enforceability review, CPA audit, attestation, or accounting assurance engagement. PriceClause reports how the supplied language and inputs calculate; the contracting parties remain responsible for interpretation, approval, and implementation.

One clause. One formula. One independent answer.

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