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## Save More with High-Level Auditing & Reporting

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Depending on who's doing the talking, U.S. manufacturing is either on the rise or in the toilet, new packaging innovations will cause you to overspend or help you save, and stiffer government regulations will either streamline your operations or disrupt them. One person claims the glass is half full; the next claims it's half empty.

In an industry wrought with differing opinions that can and often do change overnight, isn't it great to know that year after year, we still have solid parcel and freight auditing and reporting processes on which we can rely? There's no doubt about it; auditing and reporting will save you money—as long as you're partnered with the right third party, that is.

To find the right third party, familiarize yourself with the auditing and reporting process. Knowing a little bit more about what you might be able to achieve through auditing and reporting can not only affect your bottom line, but your big picture goals. Ongoing refunds are just the tip of the iceberg. By analyzing the line item detail attached to each and every shipment, you can do a great deal more than simply recoup losses due to invoicing errors.

### The Process

The parcel and freight auditing and reporting process begins with carrier data. The data is either delivered electronically to your third party auditing company by you or by your carrier. It is generally recommended that it be delivered by the carrier, since carrier data tends to be more detailed and less modified. The data is delivered weekly. Usually, upon receipt and import of the data, the third party takes your data and scrubs it using a series of proprietary databases that are updated regularly based on carrier tariffs. All erroneous charges are captured. Auditors then seek refunds or credits from your carriers on your behalf. Most carriers will allow you to receive a "short pay," which will credit your account immediately. Other carriers will credit future invoices. However you are credited, your third party auditing company should monitor your credits to make sure that all authorized credits were received.

The reports you receive from your third party auditing company should be built from your scrubbed data. They should be accessible to you weekly so that you can view details easily and pay your carrier faster. Learning to follow and utilize reports will also help you achieve the most internal savings. Reports should be made available to you easily, either via FTP, or preferably, through a customizable Web-based application.

Reporting is important because accurate, comprehensible reports can enable you to generate savings beyond those gained through auditing. If you run into an auditing/reporting firm that focuses more on obtaining guaranteed service refunds than on uncovering greater savings through serious data analysis, find another firm. A firm that is able to provide you with the proper level of detail can help you save hundreds thousands of dollars every year by enabling you to update internal systems, work with vendors and suppliers to cut down or eliminate the use of premier services and insurance, update technology in your warehouses, and control expenses through Web-based systems that allow for the monitoring of compliance reports and savings. Web-based visibility systems can also enable companies to view shipments in multiple modes so that supply chain and logistics managers can make informed decisions when it comes to carrier and mode selection.



## **Common Mistakes**

The biggest mistake you can make when it comes to auditing your parcel and freight bills is choosing not to audit them at all. Managers at medium to smaller size companies often think that they won't achieve enough savings to make auditing worth their while, or think that their shipping invoices simply don't contain enough errors to warrant being audited. The truth is that nearly all shipping invoices contain errors. It's difficult to determine what percentages of invoices are typically in error because every company has different trends, different products, different facilities, and different automation, but if I were to guess, I would say that 1 to 8 percent of most weekly parcel and freight invoices contain errors.

If your company is on the small side, and you reach out to a third party auditor and are turned away, don't give up. There are third party auditing firms that require that their clients have a certain amount of volume, but with a minimal research, you should be able to find a firm that can meet your company's needs.

Another mistake some companies make when it comes to auditing is leaving it to an internal accounting department. Most companies' auditing departments aren't equipped to handle parcel and freight auditing. They aren't equipped to cleanse shipping data, and usually aren't staffed to accommodate ongoing refund and credit requests. Reputable third party auditing companies have the technology and staff to get the job done right, do it quickly, and provide you with results that you can actually see. There are some programs and software out there that might be able to assist you with internal auditing, but no technology which you can easily add to your current system is going to scrutinize your charges more accurately or at a faster rate than the proven systems used by reputable third parties.

Another thing to keep in mind: Most auditing/reporting firms will ask to be paid transaction-based fees or a gainshare. A reputable third party auditor will only bill you if there are savings. Payment terms should always be negotiated with this in mind.

Finding the right third party auditing and reporting partner for your company isn't rocket science, but if you know more about the auditing and reporting process than the average supply chain manager, you will stand a much better chance of getting the biggest bang for your buck. When you send out your next auditing and reporting requests for proposals and pricing, ask focused questions regarding the technology that will be used, and also, what additional savings you might expect to be able to achieve through high-level reporting. There are as many (or more) bad auditing/reporting firms in the marketplace as there are good ones, but if you take the time to do even minimal research, you should be able to sort through the pack and find the right third party for your company with relative ease.