

The Case for Freight Bill Auditing

Three important results finance and shipping shouldn't overlook

There's no question that companies should audit freight invoices to avoid overpaying carriers for errors. But the task of auditing and paying freight bills internally can quickly turn into a lose-lose situation for shippers. How much time is spent checking, routing and then re-checking invoices multiple times, and what does that time end up costing? The estimated cost to pay one bill is between \$11 and \$16 dollars.¹ Is it worth looking at each and every bill? Are they checked thoroughly enough to catch all mistakes possible? How can a company know it's not stepping over a dollar to pick up a dime?

Outsourcing the Freight Bill Audit (FBA) process is an effective way to end a company's bill-paying headache, as thousands of shippers can attest. The key is to look for an FBA service that provides more than freight bill auditing and payment. When looking at FBA services, make sure you end up with three very important results.

1 Gain Insight Through Data

Naturally, the key to any successful shipping operation is visibility. The ideal system captures all billing data electronically, allowing companies to access and analyze financial shipping trends anytime. FBA should give a clear picture of how the transportation department performs and provide a roadmap for continuous improvements.

Capturing data allows costs to be managed for specific distribution centers, locations, regions and even individual stock-keeping units or customers. Look for an FBA system with custom accounting, reporting and payment services that takes days – not weeks – to implement. Also, don't settle for a one-size fits all approach. Talk with vendors who can make their solution fit your business, not the other way around. The result will be smarter, leaner, faster operations... from the warehouse to executive offices.

“It's hard in the LTL industry to give a customer an accurate bill, just because of the way we're set up.”

- Don C. Brown, CFO of FedEx Freight

2 Keep All Audited Savings

The main reason for auditing bills is to catch overpayments that eat away at profits, but some services keep up to 50% or more of the audited savings as part of their fee structure. On the surface, this makes sense as the third party has incentive to find errors in the bills. But using this kind of arrangement can lead to complications with carriers. The right FBA service provider will catch overpayments before the bills are paid and won't be tempted to drive a wedge between shippers and carriers over discrepancies in the bill. To keep relationships with carriers AND your bottom line strong, insist that all audited savings are kept and use a price-per-bill fee structure.

With the proper technology-enabled system, bills go through a true match-pay system with pre-payment audit, so only exceptions are reviewed. This eliminates the need for costly human touches in the process and can eliminate the need for archaic audit-savings percentage incentive setups. With the right freight bill partner, accuracy is the focal point, not the fee structure behind audited savings.



3 Strengthen Carrier Relations

Good working relationships with carriers are crucial to customer satisfaction. Freight billing shouldn't interfere with this and should serve both shippers *and* carriers. Carriers get the assurance that bills will be paid on time and in full each and every month, and shippers spend much less time fielding calls and dealing with billing questions – another plus for carriers. Both shippers and carriers optimize their operations and maintain strong relationships. Show your carriers that you're not interested in nickel-and-diming them while maintaining a watchful eye on your bottom line.

The right FBA system doesn't just audit and pay bills. It gives companies valuable insight into their shipping operations and saves time and money, all while strengthening carrier-shipper relationships. With the right tools and technology, the shipping game becomes a classic win-win-win situation, with increased profit margins the end result.



Typical audits don't uncover common billing errors, such as

- Fuel surcharges
- NMCF classifications
- Accessorials
- Discounts
- Proper service levels
- Proper tariffs
- Double bills

About HA Advantage

HA Advantage is a leading freight-management and financial-reporting company. Leveraging a new in-source logistics model and proven business processes, HA Advantage combines web-based technologies and a proprietary tariff to create substantial bottom-line improvements for small- to medium-size manufacturers and wholesalers. The AdvantageView™ Freight Bill Audit and Payment system provides a 16-point pre-pay audit and delivers 100% of audited savings back to clients as well as on-demand access to freight accounting data, including accruals.

1 – Tad Leahy and Ivy McLemore. "Cutting the Fat from Accounts Payable," April 1996.



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