



# The 5 Top Dangers in Freight Invoice Audit and Payment

With today's high cost of transportation, the shippers who fail to recognize both the dangers and opportunities that lie within their freight audit & payment process are paying a high price.

## Let's Start by Reviewing the Options

When we say "freight audit and payment," we are referring to the entire, complex process that begins with receiving an invoice and ends with paying it. Shippers with high volumes of freight invoices use one of three methods for managing freight audit & payment:



### 1. Outsource

Outsource to a specialty provider



### 2. Build

Use/build a home-grown solution



### 3. Buy

Use the payment module from your TMS or ERP provider

If you're using antiquated processes, inadequate software, or a provider who is less than stellar, this paper will demonstrate why it's time to consider other options.



## 5 Top Dangers in Freight Payment:

- #1. Inherent Complexity
- #2. Processing Shortcuts
- #3. Underestimating Processing Costs
- #4. Poor Carrier Relations
- #5. The “Low Cost” Fallacy



## #1

# The Danger of Inherent Complexity

Freight invoice processing & payment is complicated.

- Every carrier has its own rate structure.
- Invoice errors are common. It's easy to be over-charged.
- Allocating costs to the proper internal GL accounts is difficult without detailed information.
- Posting accruals can be even worse without the right controls and precision processing tools.

## A closer look at the complications

Auditing is more than the shipping rate, it's about processing against all the rates and rules.

### Basic linehaul rate factors

- Distance
- Weight and size/volume of the shipment
- Type of equipment – from straight trucks to double trailer combinations – at least 12 variations exist in over-the-road shipping.

Many other equipment variables, including:

- Equipment type: flatbed, bulk, dry van, tanker, etc.
- Refrigeration & other temperature controls
- Vehicle length and widths
- Trailer settings
- Axle weights

Additional accessorial costs include:

- Fuel
- Stop-off charges
- Labor / loading / unloading fees
- Detention / demurrage charges
- Hazardous material charges
- Lift gate charges
- Re-consignment or diversion changes
- Cancellation
- Re-weigh (if shipment weight differs from order)
- And others

## #2

## The Danger of Processing Shortcuts

Freight invoice processors sometimes oversimplify.

It's very common to lump shipping accessorial charges together. Or even, not be able to break out the "extras" (accessorials) from the basic linehaul rate. The dangers are:

- Inability to accurately audit accessorials.
- No understanding of whether costs are going up because of fuel or because of other accessorial charges.
- Not being able to cleanly evaluate one carrier's costs vs. another's. (If you compare using linehaul rates alone, you could be making a big mistake.)

**When shortcuts are taken, you lose visibility to true transportation costs.**

Given the high cost of transportation & the complications involved in freight payment, many shippers rely on the valuable expertise of outsourced freight payment service providers to:

### 1. Validate

invoices against complex business rules.

### 2. Audit

invoices against complex rate structures.

### 3. Manage

exceptions, data and business rules.

### 4. Report

on transportation spend.



## Validate Invoices Against Business Rules

### Outsourcing provides superior controls

Using an outsourced freight audit and payment solution ensures strict compliance with your validation and processing requirements. This includes verifying liability and shipment validity, making sure duplicate invoices are not paid, and much more.

Processing shortcuts are eliminated so that no invalid invoices continue through the payment process. In addition, business rules are automated wherever possible and kept current to provide the strictest processing controls available. Validation files, edits and strict processing controls also ensure that data is accurate, whether received electronically or entered manually.







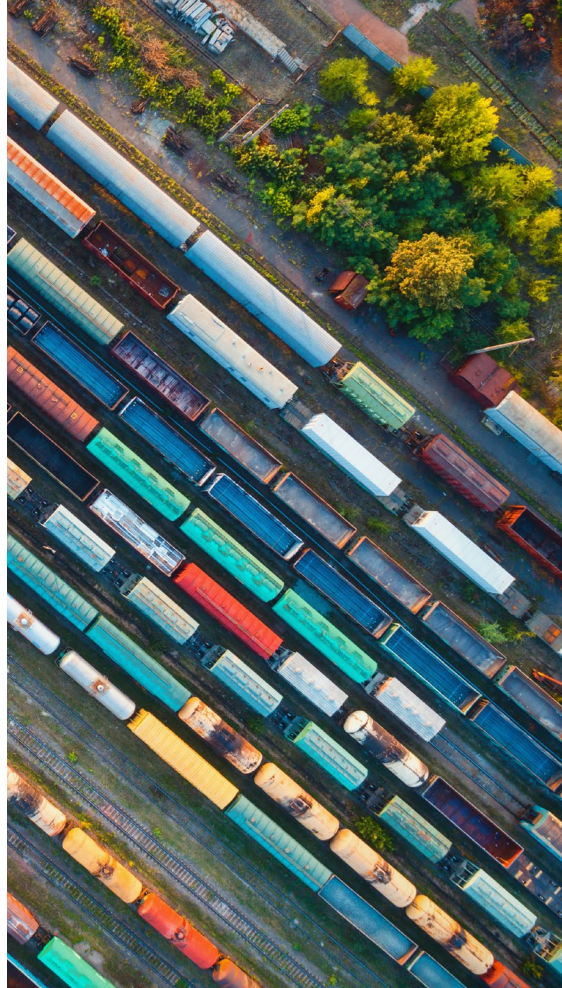
## Audit Invoices Against Complex Rate Structures

### Outsourcing delivers greater savings

Most businesses today have limited to no resources that specialize in auditing freight charges. Due to the complexity of freight rates, it is also a difficult task to make sure the correct charges are being applied to the freight invoice.

Most freight payment providers have worked with hundreds of shippers. They've seen just about every auditing need, unique contract clause, or accounting rule that a shipper might have. What's a new challenge to you is one they have already solved for someone else.

Robust freight rate repository systems are also needed to make sure that all of the current freight rates can be applied for audit purposes. The use of an outsourced solution provides the latest rate management technology, as well as the expertise to provide the highest level of audit savings.





## Manage Exceptions

### Outsourcing keeps things moving smoothly

Freight invoices are not a typical payable. They are more complex and are prone to payment exceptions. These exceptions require additional research and interaction with carriers who are requesting payment.

Using online exception management systems provides full transparency to invoices needing resolution in a true workflow environment. Ease of use and speedy resolution are at your fingertips.

With an outsourced provider, you reduce your per-invoice processing expense while you ensure the payment is made correctly and within your negotiated payment terms.







## Report on Transportation Spend

### Your outsourcing partner will deliver better data

Outsourced freight payment providers offer robust business intelligence that is extracted from invoices and other files. This paid data allows for information to better support management of transportation activity and rate negotiations.

Enhanced business intelligence provides significant opportunities for reducing your transportation spend. In many cases, transportation expense data is not readily available through internal accounts payable systems. By using an outsourced solution you are provided integrated information that you can use to control your expenses.

Shippers can typically access this information via ad-hoc online reporting or via transportation, accounting, accrual and other data files.

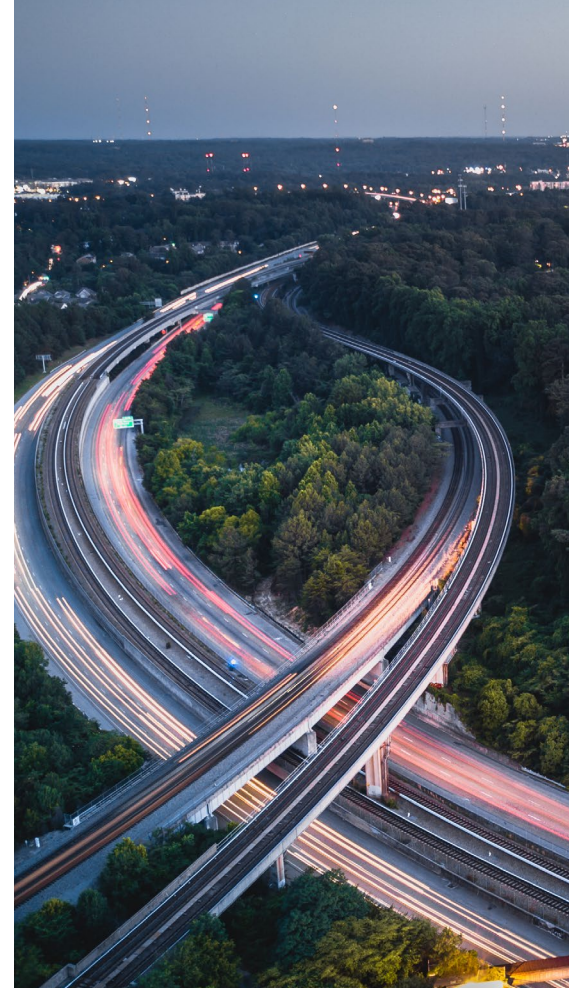


#3

## The Danger of Underestimating Processing Costs

Shippers who process in-house sometimes underestimate the high cost of doing so.

- How much time is currently invested in processing and paying freight bills?
- What about all of the supporting efforts, such as system development and maintaining rates?
- What percentage of carrier overcharges do you think you're missing?
- Which carriers create extra cost / work because of their poor invoicing processes?



## In-house processing costs include:

### IT Support

- Programming
- File and validation maintenance
- System changes
- EDI and document imaging support

### Direct labor related to invoice receipt and processing

- Mail processing (manual invoices)
- Invoice and backup documentation verification
- Data entry (manual invoices)
- Exception invoice research and resolution
- Payment processing

### Direct labor related to invoice audit

- Rate and database maintenance
- Audit exception review and approval

### Indirect labor related to the process

- Check/electronic payment processing
- General ledger allocations
- Carrier invoice payment inquiry activities
- Banking reconciliations

### Technology and equipment

- Servers, PCs and other related technology equipment
- Software licenses/subscriptions and upgrades
- Telecommunications equipment and services
- Other supporting software

### Other cost factors

- Supervisory overhead
- Banking account, check and electronic payment fees
- Escheatment
- Training

## #4

# The Danger of Poor Carrier Relations

It's simple: To maintain high service levels from your carriers, you must pay them within negotiated terms. A habit of late payments can lead carriers to serve other clients first. With today's driver shortage and tight capacity, this is a very real threat.

Making it easy for carriers to check payment status and exception invoices goes a long way as well.



## #5

## The “Low Cost” Fallacy

This may be the worst trap of all: It's a complacency based on the notion that – **if our current freight invoice processing costs are minimal, we must be a best practice.**

Look below the surface: Yes, the invoice was paid, but was it accurate? How much manual effort was involved? And why did it cost what it cost? Your freight audit and payment system should:

- Maximize processing automation  
(reduce manual processes)
- Maximize audit savings
- Provide access to detailed transportation costs
- Effectively handle exceptions
- Handle carrier payment inquiries

### Here's what the pros know:

Over-controlling your cost to process a freight invoice can mean increasing your total costs for freight.



# Let's rethink your options...

Time to make a change?



Outsource



Build



Buy

1. Is your current In-house processing system/software meeting your needs?
2. Is your current outsourced provider meeting your expectations?  
Are they poised to meet your future needs?

**Companies continue to look at ways to reduce and control their expenses. For freight audit, payment and business intelligence solutions – it may be time to rethink your options.**



## Summary

With an outsourced provider such as Cass, you will:



### Gain

expertise by leveraging the outsourcer's broad experience in the freight payment industry.



### Avoid

overpayments and duplicate payments.



### Allocate

costs to proper GL accounts and accrue costs accurately.



### Understand

your true costs. You'll have actionable, reliable data you can leverage when you procure services.



### Liberate

your valuable in-house resources.



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