

The Do's and Don'ts of Small Parcel Auditing.

Audit your small parcel shipments, select the right auditing company, and get back all of the money that is rightfully yours. Don't pay more for your shipments than you have to.

I'm always surprised when I speak with a small parcel shipper of any size and hear that they either aren't auditing at all or are dissatisfied with the results of their current auditing process. When asked why they aren't auditing or changing their processes or auditor I'll often get answers like these:

"We just don't have enough help",
"Our rates are far too complicated",

Or one of my favorites:

"Our carrier tells us that their on time performance for our account is 99.9% so we didn't think that there was any need to."

Transportation costs are high up on everybody's list these days so if you can relate to one or more of these answers it's time to take a closer look at what you're doing. In January 2009 UPS and FedEx rolled out their largest rate increase ever. The first invoice that you received with these new rates should have provided more than enough incentive for you to start auditing if you aren't, or to review your systems or processes if you are.

The credits that you receive from these carriers are similar to rebates that you might receive from a manufacturer. Through experience they know that if they make it inconvenient enough, only a small percentage of us will actually claim what we're entitled to. To make things worse, the carriers have made reconciling and auditing their invoices virtually impossible to do without the proper electronic tools.

So to help you get started here are some DO'S AND DON'Ts OF SMALL PARCEL AUDITING. If you're already auditing take a moment to review them and then compare them to the things that you are currently doing. We'll start with the most important one.

DO AUDIT:

Any amount or type of auditing is better than no auditing at all. Carriers almost always make mistakes in their favor and to properly identify these errors every package must be tracked and reviewed. This is where traditional freight auditing and or payment services often fall short.

Initial outside audits should always be free since they provide an opportunity for the service to demonstrate what they can do for you. There should never be any up front or setup costs and other than getting the carriers to provide you with electronic invoices (which they are more than happy to do since it saves them money), there should be little or no up front or ongoing work for you to do.

DON'T DO IT YOURSELF:

Unless you're in the small parcel transportation business, have unlimited IT resources, a staff member whose sole responsibilities are to keep up with the constant changes that the carriers make, and have a support staff that is dedicated to bringing in the refunds and credits, farm the process out. Third party auditing is extremely cost effective since they aren't paid until after the claim has been refunded to the shipper. Their charges are usually a negotiated percentage of the

credited amount that is actually refunded. No refund? No bill. This is why you can be reasonably sure that they are maximizing your refunds and savings.

If you're auditing in house make sure that your internal auditing investment in resources and dollars is returning more than it's costing. Anyone who has internally audited before knows that the initial submission of a claim to a carrier is only the beginning of the process. You're going to have to be committed and expect to have to resubmit claims denial after denial to ensure that you are getting all of the refunds that you are entitled to. If you thought that there were a lot of reasons why shippers aren't auditing, wait until you hear all of the reasons why your late package claim was denied by the carrier. The carriers know that if they deny a claim there is a good chance that you won't have the time or resources to continue to pursue it.

DON'T SIGN AWAY YOUR RIGHTS TO LATE PACKAGE REFUNDS: (or any other auditable charge for that matter.)

Carriers will often try to offer you a small fixed percentage discount in lieu of having to deal with your late package refund claims. You can be sure that they aren't going to give you more than you deserve or could claim on your own. They already know exactly how many packages were delivered late and so should you. Your auditing process should include detailed reporting which will provide you with this and other information. It will provide you with tools to better manage your freight spend and to level the playing field the next time you are negotiating your contracts.

Don't forget, all shipments are guaranteed. Surprisingly there are still many shippers that aren't aware that all ground shipments are guaranteed for no additional charge. Even if your shipments are not time sensitive you're paying for guaranteed service whether you're using it or not. So if you're not auditing you are paying more for your shipments than you have to.

DON'T SIGN AN AUDITING CONTRACT:

You don't need to. Most 3rd party auditors will offer to audit your shipments for a negotiated split of the refunded credits AFTER they have been posted to your account. Carrier programs change constantly. If the auditor that you're using doesn't have the resources to keep up with these changes you'll want to make sure that you will be able to painlessly move to another. So don't sign a contract! Auditors know that if they make the process easy to use, provide good reporting and feedback, and most importantly bring in the credits, you'll continue to use them.

DO BENCHMARK THE COMPETITION:

There are hundreds of auditing companies to choose from. Look for one that has proprietary software that can identify other things besides GSR's (ground service refunds). Without specialized software dozens of other invoicing errors could be missed.

Don't be afraid to shop your business around to find the right auditing service for you. Once you start receiving your invoices electronically, having them reviewed by another auditing company is as simple as forwarding the file or link to your invoice. This makes it easy for a competing auditing company to show you if they could do better. Remember that there should never be a charge for an initial or comparison audit.

DO BENCHMARK YOUR INTERNAL AUDITING AGAINST THE COMPETITION:

Many companies fail to benchmark their in house auditing against the competition. Internal auditing should reduce and not increase your transportation costs. If your internal auditing costs are more than the split that you can negotiate with an outside auditor, farm it out. Be sure to include your telephone, IT software and support, and management costs along with the actual process labor costs in your comparisons. Without specialized in house programs it would be difficult to achieve the same results as an auditor who specializes in the process and whose livelihood depends on the results.

DO KNOW YOUR SHIPMENT PROFILE:

Small parcel shipping costs become more complex each year. Larger percentages of your actual

costs are being allocated to an ever increasing number of accessorial charges. Detailed reporting and analysis must be a part of the auditing process. Third party auditors will usually provide a web site that you can log into to generate historical reports. Some auditors will even provide customized reports and information that can be emailed directly to you usually for no additional cost.

DON'T DELAY:

If you're not auditing, start today. Partner with an auditor or a transportation consultant that you can be comfortable with. Remember there should be no up front costs, no contracts to sign, and no additional work on your part.

If you are auditing it is important that you monitor the performance of the process. Actual refunds will vary each week but substantial ongoing changes in the percentage of your refunds could be a sign that the carrier has made a change to their invoicing system and that your auditing process hasn't been modified to accommodate it.

Lastly beware of auditors that claim large percentage refunds. Both UPS and FedEx provide outstanding service to their customers. Their on time delivered package record is exceptional, but the complexity of the rating structure increases the chances for errors. Remember if you're not auditing you are paying more for your shipments than you have to!

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