INTELLIGENT AUDIT

An Intelligent Audit eBook

WHAT ARE YOU MISSING IN YOUR CARRIER INVOICES?

DID YOU KNOW?

Over **80%** of all carrier invoices contain some type of discrepancy



Are you leaving money on the table?

Contractual audit is a pivotal component of a holistic approach to shipping spend reduction. Whether your discrepancies are in the form of rate inaccuracies, service level errors, or incorrect accessorial charges, chances are you are being billed incorrectly. Due to the nature of small parcel billing and the high number of shipments involved, manually identifying and recovering errors can be extremely time-consuming and costly, if not impossible.

Here's where *technology* comes into play.

Planning growth, expected costs, and market penetration is a guessing game without all the key data points. Intelligent Audit can help you leverage the power of your carrier contracts and perform predictive analytics to determine how your future spend will unfold. Not only do we immediately audit and recover money based on contractual discrepancies, but position you to make optimal decisions for your organizations.

What Does A Small Parcel Contractual Audit Entail?

Small parcel contractual audit is defined as a comprehensive audit that rates all contractual terms against the carrier billed charges. This analysis identifies all discrepancies between anticipated charges based on pre-defined carrier agreements and what is actually charged by the carrier.

Performing this type of audit has a variety of benefits including:

- Improved cost visibility
- Cost reduction
- Leverage to negotiate future contracts
- Favorable pricing terms

Small Parcel Contract Audit Scenarios

As we know, carriers make mistakes. Investing in a strong parcel auditing solution can help your business recover lost revenue due to inaccuracies and other shipping issues that would have otherwise gone unnoticed.

Common scenarios included in the audit process include:



Freight Incentive Discrepancies



Contracted Dimensional Weight Factors



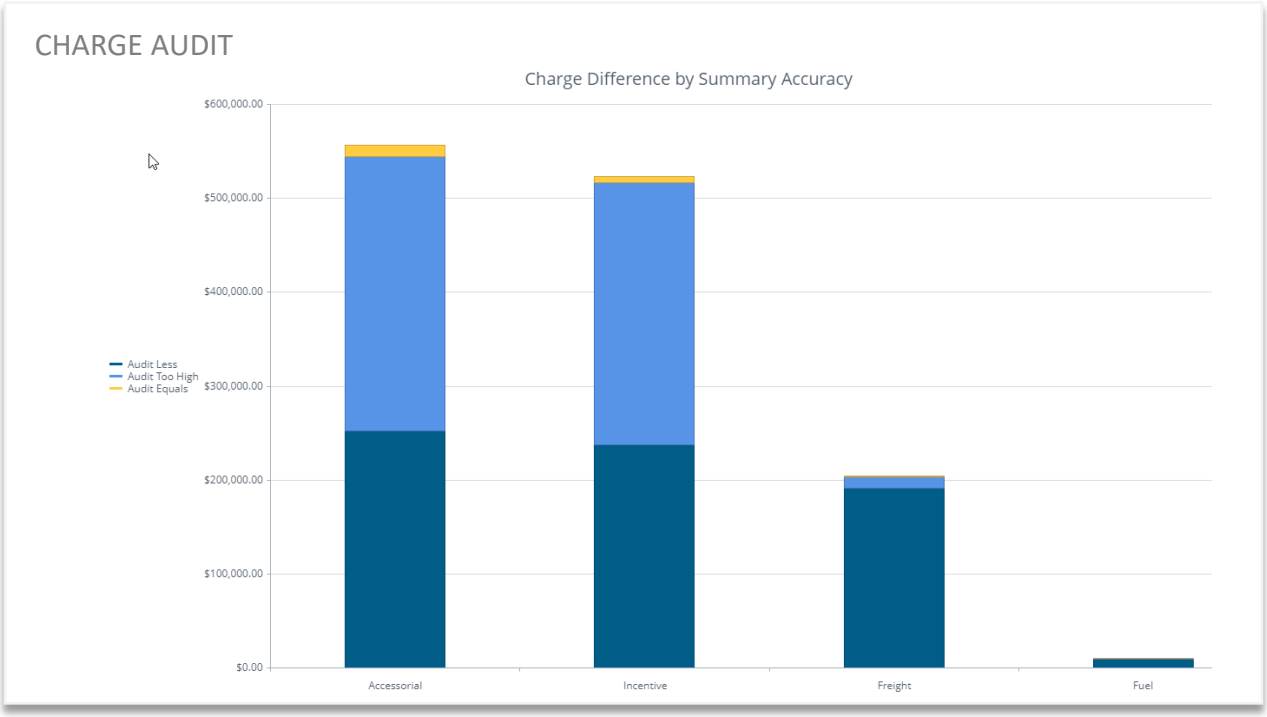
Minimum Charge Verification Discrepancies



Accessorial and Surcharge Audit

Now that we've covered the basics, let's discuss each of these scenarios in more detail.

Scenario #1: Freight Incentive Discrepancies



Freight charges can represent up to **10%** of a company's total expenses, with freight discrepancies totaling as much as **8.8%** of the actual invoice.

Gaining visibility into your incentive portfolio provides you with insight into negotiating opportunities based on specific shipment characteristics (service, weight or zone with high utilization, etc.) and empowers proactive identification of contractual billing issues to prevent unnecessary overages, expedite the reconciliation process, and maintain compliance.

This process can prove much more complex in instances where incentives are based on multiple conditions (account, bill options, etc.). Continuously monitoring these elements will help to ensure that you are receiving all of the contractual benefits you are entitled to and prevent future issues from occurring.

Examples of Freight Incentive Discrepancies

There are a variety of discrepancies that can be identified and resolved during a small parcel contractual audit. Below are two common scenarios:

- A new shipper account created was improperly linked to an existing carrier agreement. As a result, contractual terms were not applied to shipments invoiced under this account.
- A particular carrier did not process all of your contractual incentives. Your shipment was entitled to both a weight-based incentive and a volume-based discount, but only one category was applied by the carrier.

Scenario #2: Contracted Dimensional Weight Factors



Operational strategies can be developed based on shipping activity to help reduce costs around the impact of dimensional weight effects. Shipping departments can also leverage analytics to improve service and packaging efficiencies.

For reference, billable weight based on contracted *Dimensional Weight Factors* and other weight/size related terms include:

- Cubic Threshold
- Cubic Variance
- Tiered Dimensional Weight Factor (based on cubic size)
- Dimensional Weight Factor based on shipment characteristics

Your shipping data can provide valuable insights into opportunities that maximize the benefits of the dimensional elements outlined in your carrier agreement, as well as those best suited to your shipping behaviors.

The Business Application

If you are manifesting packages with numerous large boxes, the *Dimensional Weight Factor* would be a critical component of your contract negotiations to consider.

The carrier agreement specifies a custom DIM divisor, and the audit will uncover any shipments where the DIM weight calculation was misaligned based on your custom divisor. It will also display the carrier billed weight and the divisor used against the expected billable weight determined by the custom divisor.

Need assistance? Intelligent Audit is here to help...

Key Performance Indicators MATRIX FILTE

Key Performance Indicators	Metrics
DIM Effect	77.60 %
Billed Weight	1,557,843
Actual Weight	877,141
Calculated Weight	1,556,004
Weight Difference	1,838

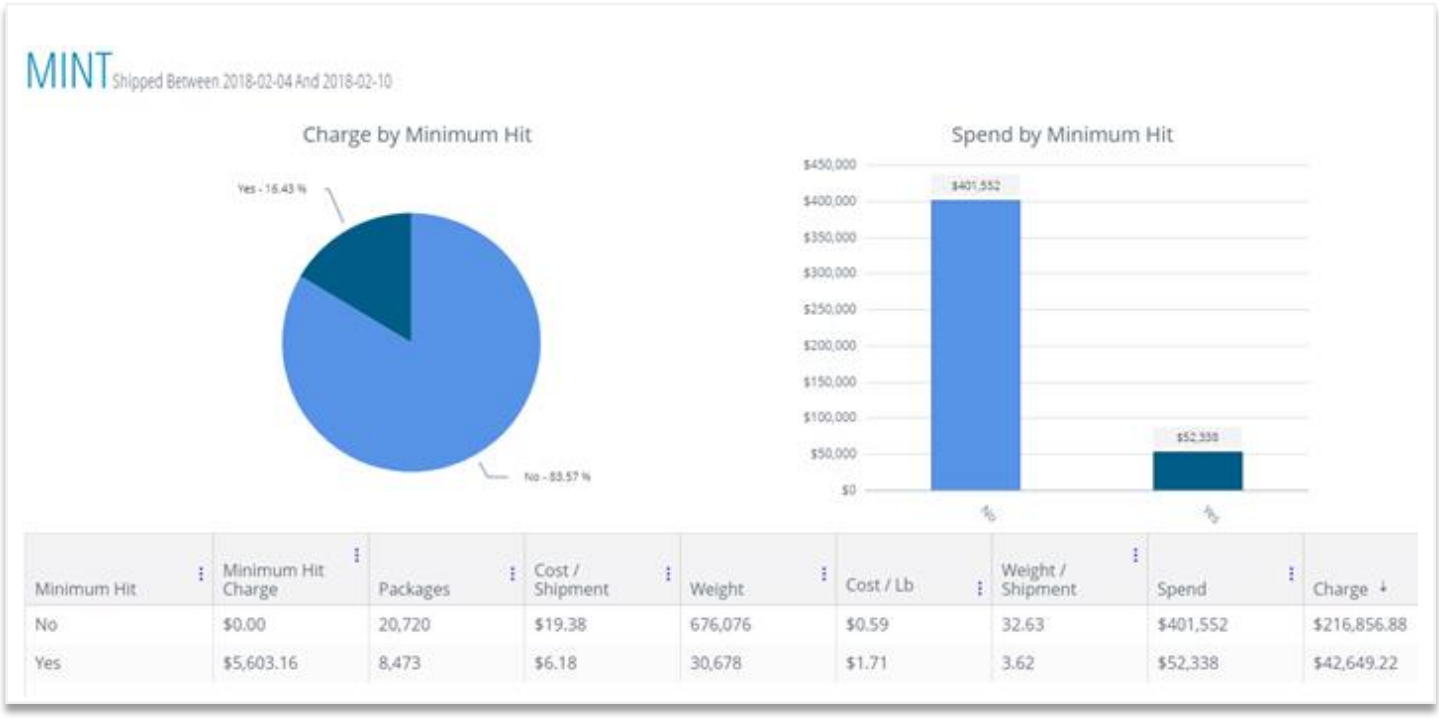
Scenario #3: Minimum Charge Verification Discrepancies

If your shipping profile consists of a large number of low weight packages, you should anticipate that most of your shipments will be affected by your **minimum charge conditions.**

Compliance with your minimum charge terms is important when it comes to maintaining accurate shipping costs, and keeping an accurate record of costs will aide in contract negotiations focused on minimum charge reductions. Understanding where your activity is the strongest in terms of minimum charges will help you achieve the most favorable terms.

Your discounts on shipping minimum and other contracted freight incentives were defined and agreed upon during the contract negotiation process. However, if the carrier does not correctly apply the minimum charge, steps can be taken to determine whether the issue was related to the incentive application or the minimum charge to ensure that you are receiving the incentives you deserve.

For example, a large number of shipments reaching the minimum charge is a sign that your freight discounts are not being maximized. Negotiating more aggressive minimum charge reductions can help increase your discount percentage.



Minimum Hit	Minimum Hit Charge	Packages	Cost / Shipment	Weight	Cost / Lb	Weight / Shipment	Spend	Charge
No	$0.00	20,720	$19.38	676,076	$0.59	32.63	$401,552	$216,856.88
Yes	$5,603.16	8,473	$6.18	30,678	$1.71	3.62	$52,338	$42,649.22

Intelligent Audit's *Let's Talk Numbers* Dashboard: Minimum Charge Verification Dashboard

Scenario #4: Accessorial and Surcharge Audit

Accessorials and surcharges can constitute a considerable amount of total shipping costs. Careful inspection of how they impact your shipping patterns is a key factor in developing the most favorable pricing terms. If your business ships to remote areas or has a high number of weekend deliveries, it is important to consider *delivery area surcharges* and *Saturday charges pickup/delivery* to properly manage costs.

Conducting a small parcel contract audit will ensure that your negotiated *delivery area surcharge* discount was correctly applied and that the surcharge was properly assessed based on the carrier's specifications.

For instance, if you negotiated special terms for an account with high volume *Saturday deliveries*, the audit will ensure that all terms are fully adhered and that all charges are correctly determined (e.g. it was not rightfully determined to be delivered on a Saturday). If your incentive is based on volume of transactions, the audit will track and audit for the appropriate transaction levels.

Intelligent Audit Small Parcel Contract Audit Services

Get the Most from Your Carrier Contracts

Regardless of your shipping needs, Intelligent Audit can help you achieve hard and soft dollar savings and discover strategic opportunities for organizational improvement. Our proprietary technology analyzes more than 150 service points including overcharges due to late shipments, duplicate billing, loss and damage claims, manifested not shipped packages, and address corrections to recover any potential opportunity regardless of dollar amount.

IA account managers serve as trusted advisors - guiding you through each step of the process to ensure that you receive the carrier incentives you are entitled to.

For more information on how Intelligent Audit can help you maximize the benefits of your carrier contracts, contact us today at sales@intelligentaudit.com or by phone at (201) 880-1110.

INTELLIGENT AUDIT

Founded in 1996, Intelligent Audit is the leader in supply chain data analytics, business intelligence, and freight audit and recovery, with a wide range of services available to clients looking to reduce costs, improve customer satisfaction, and discover new strategic enhancements within their supply chain. Its best-in-class, proprietary software system automatically reviews every package shipped for accurate billing - verifying all charges against carrier contracts and validating all potential exceptions.

Intelligent Audit successfully manages more than $9 billion in customer transportation spend and specializes in reducing carrier and freight costs for more than 2,500 customers - leveraging technology to provide insights that help shippers think smarter.