TPM23

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Auditing Ocean Freight Invoices

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Freight Invoice Auditing: By The Numbers

- **One-third** of all invoice errors are due to lack of clarity at the contract-level
- Regular invoice auditing can save **10-15%** in freight & surcharges
- Up to **25%** of freight invoices had to be corrected and amended during Covid-19
- Cargo owners overpaid **HUNDREDS OF MILLIONS** in charges between 2020-2022

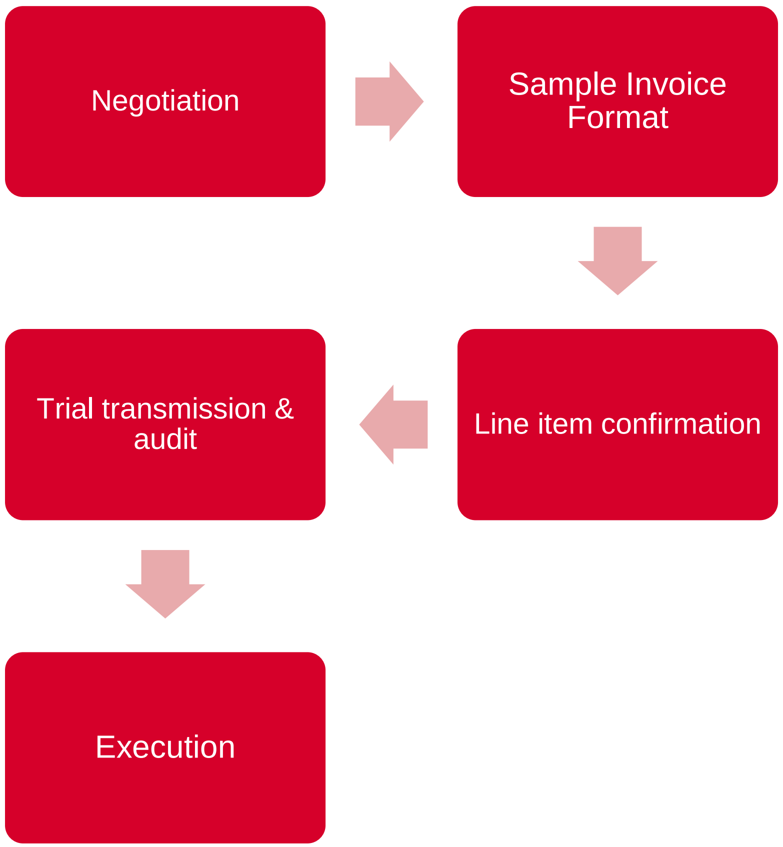
Most Common Invoice Errors*

- Surcharge validity and amount – 45%
  - Including fuel, hazmat, overweight charges
- Incorrect application of congestion surcharges – 10%
- **Incorrect recipient or receiving office – 15%**
- Invalid / expired ocean freight rate – 15%
- Incorrect / duplicate freight rate – 15%

- 25% of inaccurate or incorrect invoices have more than one of the above errors

* Based on individual provider data

Manual Ocean Freight Invoice Auditing Process



- Contract or service agreement must include clear recap and agreement of all applicable charges and validities
- Once agreement is reached, sample invoice with agreed-upon line items is generated and reviewed
- Initial audit on trial or first shipment made, with discrepancies send to carrier/provider for review
- Final sign-off & execution

Auditing of Invoices at Different Transaction Levels

Transactional Level

- Shippers with smaller, irregular cargo volume
- Single-carrier shipments
- Invoices are sent per transaction / shipment in the form of Arrival Notice
- Mostly manual auditing by line item
- Reconciliation of effective dates & charge validities
- 3PLs: bundling / all-in pricing complicates audits
  – Provider must break out charges

Statement Level

- Shippers with credit terms or higher regularity / volume of shipments
- Higher-level data
- Multiple carriers; data must be centralized
- Highly manual without TMS
- Requires more human resources
- Lower accuracy in overall audits due to volume
- Slower audit process

Auditors & Transportation Management Systems (TMS)

3rd Party Auditors

- ✓ Suitable for lower volume/regularity of transactions
- ✓ Focused auditing function saves time
- ✓ Allocates specific audit function away from internal labor
- ✓ Audits can be manual or electronic (repositories)

- × Same manual process as shipper
- × Outsourcing reduces value of freight refunds or corrections

TMS

- ✓ Multi-Carrier & Multi-modal capability
- ✓ Automation of workflow
- ✓ Less costly than in-house TMS development
- ✓ Discrepancies transmitted electronically to carrier/provider

- × Not all TMS have robust auditing functions
- × Automation is happening, but not at the pace we'd like it to

Demurrage, Detention, & Chassis Invoicing – OSRA 2022

- Ensure minimum information is included on invoices
  - 13 information points are the minimum
- Last free day
- Failure to include minimum information on invoices eliminates obligation of the billed party to pay the applicable charge
- Per diem invoices sent to motor carrier <u>first</u>
- Carriers who bundle chassis <u>must</u> break out chassis as line item on invoices

Takeaways

- Whether manual or through 3rd parties / TMS, freight invoice audits are essential elements of the shipping process
- Audit process begins at the time of contract / service agreement negotiation
- Pre-audit sample invoice and agree up-front with provider on chargeable items, taking note on amount and validity
- TMS with well developed invoice audit function saves time, money and headaches!
- If carriers are bundling chassis with freight, get a break-out of the charges if possible
- Per Diem: Minimum Information MUST be included on invoices or you don't have to pay

Thank You!

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