



## ***Freight Bill Audit and Pay***

As most of us think about the transportation process nothing sounds worse than auditing and paying freight bills. Not only is it difficult to know what you should be paying but it is equally tedious to apply general ledger codes to the different freight charges so they may be properly categorized. Add in the allocation of costs to different business units and it becomes obvious why so many organizations completely outsource this function to third parties.

### ***It all starts with the carrier rates...***

The MercuryGate TMS tackles the freight bill pay and audit process by incorporating a state-of-the-art contract/rate management system. Carrier contracts may be quickly setup detailing all the information necessary to determine the correct rate for a freight movement. The MercuryGate rating engine is mode independent allowing the user to setup parcel, less than truckload (LTL), truckload, air freight, ocean and rail contracts. Additional charges (accessorials) may be setup by the user and then assigned to the entire contract or down to specific geographic lane levels. Accessorials may be calculated automatically such as fuel surcharge and stop charges or they may be determined based on the services selected for the given movement. If you are using the TMS for operational processes the rating will occur as part of the carrier determination process. If you are not using the TMS to determine carrier selection, then the rates may be added after the invoice has been created.

### ***Add in the carrier invoice....***

#### ***Subsequent pay process***

How and when the invoice gets created is often dictated by the type of payment process being utilized. The most typical process is what we have termed the subsequent pay process. In this process the carrier supplies an invoice for the freight movement. If the invoice is sent as an electronic document then the TMS automatically attempts to match the invoice to a load. If no matching load was found the invoice is still loaded into the TMS. The invoice has a flag assigned to it indicating that the invoice did not match any load in the TMS. Although no matching load was found the invoice itself may be rated against the appropriate contract thereby allowing the user to see a rated amount and invoiced amount. If the invoice does match a load the invoice is linked to the load allowing display of the rated amount and invoiced amount.

Another variety of the subsequent pay process is where the carrier enters the invoice into the TMS. This process is used for carriers that do not have electronic invoice capability. The carrier is given a simple portlet where they can create or upload the invoice online thereby eliminating the paper invoice as well as the need to manually enter the invoice information. Once the invoice has been added the process is identical to the electronic process after receipt of the invoice.

A third variety of the subsequent invoice process is one where the shipper receives the invoice in hardcopy via mail and manually enters the invoice information into the system. Quite often the shipper has dedicated resources to key the invoice information into the TMS. Once the invoice information is keyed into the TMS the process is identical to the process above after receipt of the electronic invoice.

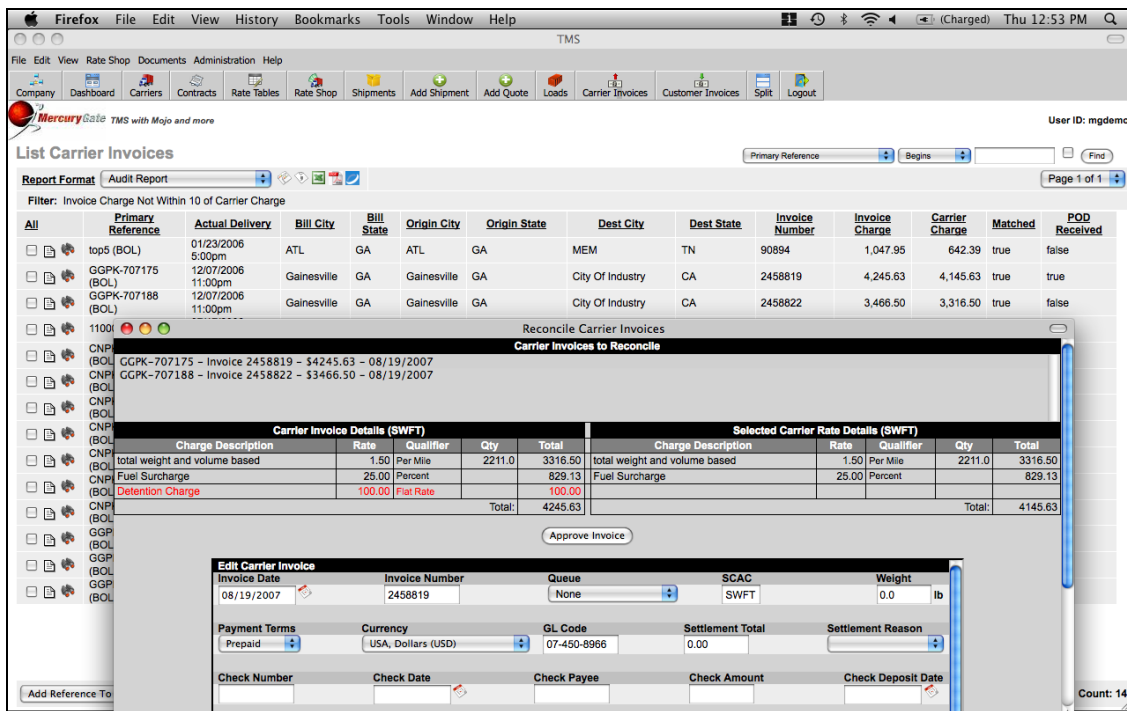


Figure 1: Audit Invoice List screen with Reconcile screen showing differences between rated and invoiced amounts. This allows the transportation professional to review the invoice and specify the amount to pay.

### Self-invoicing process

The second type of invoice creation is the self-invoicing process. The invoice can be sent to the carrier automatically for review and approval before the shipper pays the invoice. The invoice is then sent to the carrier for review and approval before the shipper pays the invoice. The invoice that is sent to the carrier may be a simple invoice or a single consolidated invoice for every load the carrier moves. The shipper may also opt to send a master or statement invoice

for a particular period of time, like a week or a month. The statement invoice is an invoice that combines multiple invoices into one statement. For example, the TMS may be configured to create a statement invoice every month. All loads that the carrier did that month will appear as line items on the master invoice. Typically for each load the linehaul, fuel, and additional charges are all broken out into separate charge buckets for easy review. Once the carrier reviews this invoice, they can approve or modify it and send it back to the shipper. This process may be done via a portal or via a workflow process between the carrier and the shipper within the TMS system.

### ***Forward pay process (paperwork reduction)***

The forward pay process is where the shipper pays the rated amount automatically. No invoice is sent or received by the parties thus reducing the paperwork, time associated with snail mail and administrative time to log receipt of paper invoices. Automatically may include some period of aging for the invoice. A common practice is to age the invoices based upon carrier ranking using key performance indicators. For example, "A" carriers get paid in 5 days. "B" carriers get paid in 15 days and so forth. In this model, the carrier is often given an online portal to log into and provide any additional accessorials beyond the rated amount. Any updates to the invoice result in the invoice going into an online approval process between the carrier and shipper in which both parties must approve all changes before payment will be processed in addition to the aging requirement. This process pushes the entire auditing function onto the carrier.

### ***Apply the General Ledger (GL) codes***

The TMS also allows the user to specify the general ledger codes to be applied to each charge on the invoice. The specification of different ledger codes for linehaul, fuel, etc is provided. Also, the code itself may be driven by particular logic such as business unit, division, office, and so forth. This ensures getting the appropriate charges into the right bucket and then directly to the financial system.

### ***Receive the proof of delivery....***

Often a proof of delivery (POD) is required before any payments will be processed. The system may be configured to indicate if a POD is required. The system also shows if the POD has been received. A POD may be a physical scanned-in image or it may be a link to an image in another system (often the carrier system). Carriers may upload PODs from a portal and attach it to the appropriate load. In addition the POD could simply be the name of the person that signed for the freight.

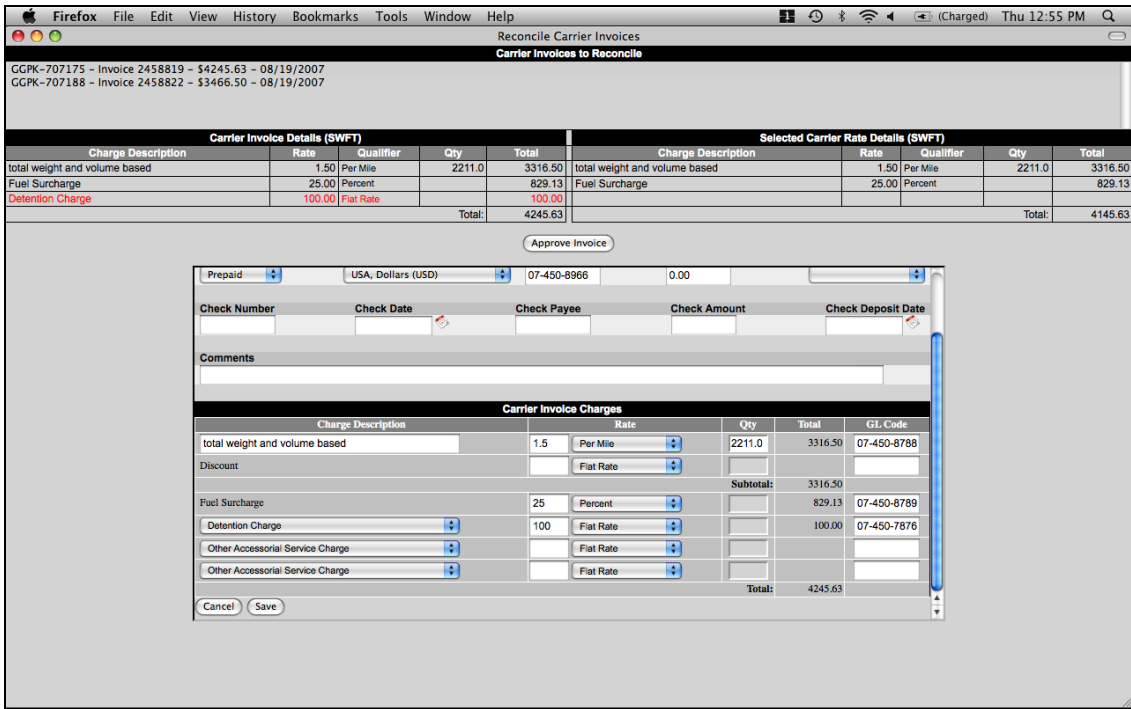


Figure 2: Invoice showing general ledger codes at charge level based on rules setup in the TMS.

## ***Allocate the freight charges....***

One of the strengths of the TMS system is the ability to allocate the freight charges. Quite often shippers want to allocate the charges based on different criteria so that the appropriate business unit is charged for the freight. These allocations are often complicated and may even occur at the item level being transported. Allocations may be based on weight, distance, cube or any combination of the three.

## ***Send information to financial package...***

Regardless of the process being used, once the invoice is ready for payment, a file is transferred to the financial system of record. That file can be either individual invoices or a statement invoice as discussed above. Quite often several sends may occur. The first send is a transmission for accrual of the freight invoice charges at some point in the transportation process. If an accrual is transmitted then the send of the actual invoice often requires that the accrual amount is backed out via a credit transaction. This type of process allows for a demonstrable and accurate accrual process that is financially auditable. The invoice extracts are logged in the TMS with the date, time, etc. An extract control number may be generated to allow a further control point in the financial process.

In addition to sending the data to the financial or accounting package, payment information may be fed back into the TMS. This function allows for check numbers, check dates, etc. to be loaded onto the invoice. This enables those carriers that are using a carrier web portal to see what the status of their payments are at any given moment in the process.

All	Origin City	Origin State	Dest City	Dest State	Target Ship (Range)	Target Delivery (Range)	Weight	Carrier Name	Carrier Charge	Customer Charge	Margin Calc	Actual Ship	Actual Delivery	Late Reason	Primary Reference	Status
<input type="checkbox"/>	Birmingham	AL	USA	TN	01/12/2006 8:00am-01/15/2006 5:00pm	01/13/2006 8:00am-01/23/2006 5:00pm	1,510.0	Southeastern Freight Lines	128.00	131.84	3.84	01/15/2006 5:00pm	01/24/2006 9:00am	EQP	top1 (BOL)	Delivered
<input type="checkbox"/>	Birmingham	AL	USA	TN	01/12/2006 8:00am-01/15/2006 5:00pm	01/13/2006 8:00am-01/23/2006 5:00pm	4,010.0	Old Dominion	224.29	326.24	101.95	01/15/2006 5:00pm	01/23/2006 5:00pm		top2 (BOL)	Delivered
<input type="checkbox"/>	Montgomery	AL	USA	TN	01/12/2006 8:00am-01/22/2006 5:00pm	01/13/2006 8:00am-01/23/2006 5:00pm	6,500.0	Schneider National	528.00	516.20	-11.80	01/22/2006 5:00pm	01/23/2006 5:00pm		top3 (BOL)	Delivered
<input type="checkbox"/>	ATL	GA	USA	TN	01/12/2006 8:00am-01/22/2006 5:00pm	01/13/2006 8:00am-01/23/2006 5:00pm	9,000.0	Swift	559.50	634.10	74.60	01/22/2006 5:00pm	01/23/2006 5:00pm		top4 (BOL)	Delivered
<input type="checkbox"/>	ATL	GA	USA	TN	01/12/2006 8:00am-01/22/2006 5:00pm	01/13/2006 8:00am-01/23/2006 5:00pm	11,400.0	Southeastern Freight Lines	642.39	899.35	256.96	01/22/2006 5:00pm	01/23/2006 5:00pm		top5 (BOL)	Delivered
<input type="checkbox"/>	ATL	GA	USA	TN	01/12/2006 8:00am-01/22/2006 5:00pm	01/13/2006 8:00am-01/23/2006 5:00pm	14,000.0	Swift	574.50	651.10	76.60	01/12/2006 5:00pm	01/23/2006 5:00pm		top6 (BOL)	Delivered
<input type="checkbox"/>	CHARLOTTE	NC	USA	TN	01/12/2006 7:00am-01/22/2006 5:00pm	01/13/2006 8:00am-01/23/2006 5:00pm	16,000.0	Southeastern Freight Lines	1,144.40	1,602.16	457.76	01/12/2006 5:00pm	01/24/2006 8:00am	WTH	top7 (BOL)	Delivered
<input type="checkbox"/>	CHARLOTTE	NC	USA	TN	01/12/2006 7:00am-01/22/2006 5:00pm	01/13/2006 8:00am-01/23/2006 5:00pm	18,500.0	Swift	928.50	1,052.30	123.80	01/12/2006 5:00pm	01/23/2006 5:00pm		top8 (BOL)	Delivered

Figure 3: Shipment screen showing allocated costs and the sell rate as well as the margin.

## Summary

MercuryGate facilitates and simplifies the freight bill pay and audit process. Typically the audit and pay process is a very manual and tedious routine. All too often companies are turning to external payment companies to audit and pay their freight invoices adding incremental costs to the transportation budget. MercuryGate allows you to automate the freight payment as well as the allocation of freight charges improving the freight payment process as well as the accrual process and landed cost determination. Put your audit and pay process back in the hands of the transportation professional with the MercuryGate TMS.

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