

LTL Audit Tips

With the “Great Recession” still lingering, companies remain focused like never before on cost containment. Interest in transportation audit has never been greater due to the fact it generates savings, enables enforcement of processes and controls, and provides clean data for analysis and improvement efforts. This is particularly the case with LTL transportation, which is rife with potential errors due to complex contracts and negotiated lane definitions, as well as a large number of potential accessorial charges and freight classes.

An error enVista commonly finds during LTL invoice audits is freight class misclassification. Items are grouped into freight classes on the basis of the item’s [National Motor Freight Classification \(NMFC\)](#) code. NMFC codes are established by the National Motor Freight Traffic Association (NMFTA) a trade group comprised of carriers and transportation companies. We find that some shippers have as many as 20% of their invoices misclassified. The most common cause of the misclassification-related charges is shipper documentation that is missing the NMFC code. Sometimes the missing NMFC code is simply an oversight that is built into the shipper documentation process and then repeated again and again, every time a shipping document is prepared. Other times the shippers may not know the NMFC codes for their freight and just leave the field blank presuming the carriers will accurately fill it in later. This is not a good assumption.

Carriers will certainly class your freight if the NMFC code is not provided. But, carriers will typically class the freight at one of the higher classed applicable to the type of freight. In their defense, freight classification can be complicated and carriers may be more focused on getting your freight out of the terminal’s “penalty box” in time to make the outbound truck than rating the freight correctly. Regardless, if you do not class your freight correctly or negotiate away the need to by using Freight All Kinds (FAK) then you will over pay for LTL transportation.

There are a few simple steps you can take to ensure your freight is invoiced at the right class. First, if you store NMFC codes in your item master, make sure that the codes make it to your shipping documents. It is surprising how often the problem is inconsistent documentation, not inconsistent data. Also, once the NMFC code is regularly making it to the shipping documentation then the incorrectly classed items can be fixed through auditing and continuous improvement and should stay that way, eliminating future overcharges that have to be found in the future. If you want or need assistance classing your freight, enVista will help you.

Second, you should strongly consider negotiating a Freight All Kinds (FAK) agreement covering the typical range of classes for your freight. The proper FAK class for your freight will result from the freight classes and frequency of shipment of your particular freight profile. Of course, if your product mix evolves over time, it is possible that your FAK should as well. Use of a well-negotiated FAK should be revenue neutral to the carrier, but reduce both their administrative burden and yours with respect to freight classes. This lessens the need to list the item’s NMFC code on the documentation or even maintain the codes in your execution systems (though you would need to keep them for periodic analysis to confirm the FAK).

In summary, if your freight is classed properly or if you negotiate away the need to class all of your items, you will reduce classification-related overcharges. Either way, classification or FAK’s, enVista will help you get it right so you can keep costs down and beat back those recession blues.

[RETURN TO TOP](#)



enVista | 1711 N. Meridian St., Suite 415 | Indianapolis, IN 46032 | 877.684.7700 | www.envistacorp.com
Copyright © 2009 enVista, LLC