Description: Ed Mehlman and Associates Freight Compliance audit is part of a full suite of post audit services provided by the firm. The Freight Compliance audit reviews freight invoices and supporting documents for potential cost recoveries due to vendor non-compliance issues. Most companies reserve the right to reject and return merchandise or assess a penalty or offset when merchandise is shipped or received outside certain parameters as agreed upon and documented. The purpose of these penalties or offsets is to recoup additional costs incurred by the infraction. Such non-compliance charges typically include a flat fee or percentage of the freight cost. Areas and information reviewed for freight compliance issues include:

- Non-compliance to shipping instructions
- Unauthorized freight charges
- Improper use of pre-paid or collect charges
- Failure to combine shipments
- Use of wrong carrier
- Use of air services vs. ground services

- Accounting for freight and rate allowances
- Excessive freight charges
- General misrouting
- Early or late shipments
- Partial shipments or backorders
- ASN transmission violations

Purpose: The intent of a Freight Compliance audit is to review current policy, procedures, and processes to ensure they are operating as originally envisioned by the client. The audit reviews 100% of freight transactions and tests for compliance with documented operating procedures. Based upon the audit findings _____ vendors. In addition to processing claims and recovering funds, the audit provides process and best practice recommendations _____.

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Benefits: Review of policy and procedures, cost recovery, cost containment, and process improvement.

Process overview: Auditors will request, receive, and review necessary background and supporting documentation such as vendor agreements, vendor manual and/or policy guide, freight routing guide, and return to vendor arrangements. After the review of supporting documentation the auditors will interview appropriate freight personnel to gain a complete understanding of freight policy, procedures and common practices. Once complete the audit team will develop an audit plan to meet agreed upon goals and objectives.

Upon completion of the audit plan the audit team will request all remaining historical data files and supporting documentation necessary to implement the audit. The audit plan is generally comprised of an electronic review of historical transactions such as but is not limited to, EDI 210, 212, 214, 856, and 856 ASN data and a manual portion that focuses on freight carrier invoices, consolidator invoices and statements, and freight contractual agreements.

The audit team will develop and execute necessary data mining techniques and manual reviews necessary to uncover potential non-compliance events. As non-compliance events are found and for those that result in offsets, over-payments, or improperly applied adjustments, claims will be created, documented, and filled based upon a mutually agreed upon approval and submittal process.