



C3 Solutions



Getting Started  
with  
Auditing and Scorecarding

Opportunities for your Supply Chain



# About the Authors

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Gregory Braun is co-founder of C3 Solutions and is responsible for the marketing and sales department. Greg has over 22 years of experience in the transportation industry of which the last 13 have been focused on yard and dock management.

This expertise has been a valuable asset to open new markets for C3's products over the years. Greg is not only working at increasing the customer base but also upholds good business relationships with existing customers who are the key to C3's success.

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Account Manager  
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François focuses on promoting C3 Reservations internationally and developing a strong business relationship with our customers.

With his entire career being in customer service and business development, including 18 years spent in distribution and manufacturing environments, François brings to C3 Solutions valuable insight into these segments.



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# Introduction

There is an abundance of content written on the subjects of compliance, auditing and scorecarding, however very little has been written regarding specifically the receiving process. We believe it is important to address the segment pertaining to the dock receiving area at warehouses and stores. As providers of yard management and dock scheduling solutions, our expertise pertains to the transportation and logistics efficiency at the docks. It is therefore natural for companies to share with us their challenges with respect to compliance, auditing and scorecarding.

The purpose of this E-Book is to help companies demystify the complexity surrounding the implementation of an audit and compliance process. We are constantly meeting companies who intuitively believe their business would benefit from a more rigorous compliance process; yet they don't know where to start or they are blinded by the perceived obstacles.

“About 20 years ago, when we designed our WMS & ERP on our AS/400, we had incorporated in our software an audit and scorecard module. Upon its implementation, it was too cumbersome and clunky so we pulled the plug on it. Our intention has always been to do this.

”  
- Director of Distribution Systems  
North American Retailer

# WHY CONDUCT RECEIVING AUDITS AND SCORECARDS?

It is commonly accepted that receiving damaged goods, badly loaded trailers, incorrectly labeled merchandise, missing paperwork, and so forth is expensive to your warehouse operation. Just as untimely shipments (late or early) can cause havoc to your sales and distribution network. These are all symptoms that something is wrong in your operation. Those who implement vendor audits and scorecards are interested in quantifying these symptoms.

- ★ Quantifying infractions is the only way to determine how expensive these problems are to your business.
- ★ Performing receiving audits is the way to establish a diagnostic – which ultimately is the only way towards finding a cure.

The purpose of conducting an audit is to capture the infractions. This helps you to execute immediate corrective actions and potentially manage chargebacks. Scorecarding these infractions provides the business a homogeneous view on all the infractions, allowing for supplier/carrier rankings and the establishment of mid to long term trends. To conduct audits without appropriate scorecarding and reporting is futile; you'll have no hope of determining the cause and even less of finding a solution.

**Auditing is all about compiling the discrepancies, while scorecarding is the engine behind the continuous improvement initiatives that you will undertake with your supply chain partners.**

“ Our Unloading Document Report (UDR) is essential to our business.

”  
- Warehouse Supervisor,  
North American Food Wholesaler

# WHERE SHOULD YOU START?

## COLLECTING DATA, OF COURSE!

Understandably, many companies find this a daunting task; will it become a labor intensive task and is your business too complex to manage an effective compliance program? There are great theorists out there that talk about the entire PO lifecycle and how a true vendor compliance program should encompass everything from the time a PO is emitted to the time it is paid. Sounds great in theory however an end-to-end solution is difficult to implement.

From a logistics perspective our goal is to provide merchandising with data from the receiving dock that will allow them to evaluate both vendors and carriers by two key criteria:

- ★ The timeliness of the shipments
- ★ The quality of the shipments

## THE TIMELINESS OF THE SHIPMENTS

It is important that carriers arrive on time (deliveries or pick-ups) relative to the expected delivery date (EDD) and the appointment time. Measuring any discrepancies relative to the timeliness of a shipment requires an appointment scheduling tool which can capture the arrival, departure, and unloading times. Measuring the 'On-Time Delivery' is an important metric which influences the overall 'perfect order rate' but it doesn't require a full audit and scorecarding initiative.

For more information about the benefits of using an appointment scheduling application, please refer to our whitepaper: [Understanding Dock Scheduling](#).



## THE QUALITY OF THE SHIPMENTS

The quality of the shipments, as attested at the receiving dock, requires capturing the discrepancies by comparing the actual state of the goods with the purchase order, the merchandising policy (if available) and common sense.

The typical factors to capture are:

- ★ Product damage
- ★ Incorrect/Incomplete paperwork
- ★ Incorrect labelling, packaging and loading
- ★ Inaccurate quantities

However, the quality of the shipment is not limited to this. For example, the transportation department at a large retailer decided to set quality standards relative to how the distribution centers were loading the trailers destined to the stores. There had been a serious risk of injury to employees and so the audit program focused on;

- ★ Whether the pallets were safely stacked and secure
- ★ The cleanliness of the trailers and trailer damage
- ★ Whether the load met weight requirements and if it was evenly spread out across axles
- ★ Ensuring that proper trailer identification was correctly posted
- ★ Verifying that the goods received were not destined for another store

This is a great example of how an audit program addresses truly important and custom KPI's which are not traditionally found on the purchase order per say (ie: safety standards). We therefore recommend you start by consulting your receiving team (include your buyers, other internal merchandising team) and identify keys points which can be formulated in simple questions to which a check mark or yes/no answer can be provided.



# SETTING CONTINUOUS IMPROVEMENT OBJECTIVES

Once you've determined the factors you wish to audit, you are ready to set objectives and conduct trend analysis.

## SETTING OBJECTIVES

A continuous improvement initiative could be setting a 'perfect order rate'<sup>1</sup> objective for your business. If you have trouble setting your objectives, you could consult reports such as the Tompkins Supply Chain 2013 report<sup>2</sup> which also touches on on-time delivery, order fill rate and order accuracy. For instance, this reports states that the 'Perfect Order Rates' varies, from the bottom quartile being less than 89% and the leaders (top quartile) being greater than 99%. If you haven't established your objectives from an internal consensus, you could use industry data to benchmark yourself and set objectives.

## USING TRENDS FOR CONTINUOUS IMPROVEMENTS



If you are truly serious about meeting with your supply chain partners and sharing with them the performance scorecards, then mid to long-term trend analysis will be an important part of your supply chain partner evaluation. As emphasized by an analyst at a consumer electronics retailer, vendor audits and scorecards aren't complete if you don't report on trends.

In one example, a retailer analyzed a specific segment of their vendors, with all except one showing an improvement over a two year period. The fact that the vendor who didn't improve wasn't at a 99% perfect order rate wasn't the main concern but rather the current trend. Trend analysis from the scorecarding reports has become an intrinsic part of this company's vendor evaluation meetings.



Ideally, trend analysis and setting objectives go hand-in-hand.

<sup>1</sup> Perfect Order is defined as orders shipped completely error free and on-time as a percentage of total orders.

<sup>2</sup> Tompkins Supply Chain Consortium, Creating Higher Customer Satisfaction (Core Benchmarks: Order Accuracy & Fill Rates), Bruce Tompkins & Chris Ferrell, July 2013.

# HOW TO CONDUCT YOUR RECEIVING AUDIT

Now comes the tricky part: the implementation. Have you determined who will be accountable for the process? In some cases, it is the transportation department, sometimes it is decentralized (warehouse operations) and sometimes it is attributed to the quality control department.

Which tools will you use? Paper forms, spreadsheets, home grown systems or a purchased compliance software?

Have you examined your existing information systems (WMS, TMS, ERP, Labor management software) whether they can capture and report easily on any of the key indicators you wish to track?

A screenshot of a software interface for a receiving audit. The title bar is black with an orange tab icon and the text "1000985 - Receiving Audit". Below the title bar, there is a summary row with a red shield icon, "40 pallets", "160 cases", "28,500 lbs", "Site & Warehouse Chicago - Warehouse 1", "Supplier Associated Suppliers". Below this is a "Questions" section with six items: 1. Was there any product damage? (Yes/No buttons), 2. Were the pallets shrink-wrapped according to our standards? (Yes/No buttons), 3. Is the paperwork complete and legible? (Yes/No buttons), 4. Is the ID tag located on the top right of the pallet? (Yes/No buttons), 5. Insert your picture (Upload button with a dropdown arrow and a .jpg icon), 6. What is your name (text input field). At the bottom left, there is a checked checkbox "I hereby certify that this audit is complete". At the bottom right, there are "OK" and "Cancel" buttons.

# MANUAL PROCESSES

If you don't have a dedicated compliance software application, then it appears you don't have a choice other than to start with a manual process.

The requirements are straight forward:

- ★ List a series of brief questions on a single page requiring a check mark or simple Yes/No answer while allowing the possibility of writing a comment.
- ★ Determine how the data will be consolidated i.e., will each warehouse manage their own data or will it be faxed/scanned-emailed to a central office to be processed globally.
- ★ Establish the type of reports you will need to generate, the frequency of reports, who will compile the data, and the people that will need to receive them.

## BENEFITS

- ✓ Simple and easy to implement
- ✓ Low cost of implementation

“The receiving team audits using paper forms. It all gets stapled together with a copy of the PO and filed. Although we'd like to get to the point of scorecarding, it kind of gets lost in the filing cabinet; it is too cumbersome to complete.

-Warehouse Manager,  
CPG Distributor, North America

## CHALLENGES

- ★ Incomplete data; many forms will not be submitted and therefore the data will not all be compiled.
- ★ Data often needs to be manually transferred into a spreadsheet or some type of database.
- ★ The creation of the audit template and its respective reporting charts creates a cost burden.
- ★ Data compilation and reporting is labor intensive.
- ★ Delays due to late form submissions and labor intensive reporting can cause untimely reporting and thus affect the intended corrective action plan

# DEDICATED COMPLIANCE, AUDIT AND SCORECARDING SOFTWARE

As cloud based solutions are becoming widely accepted, specialized SaaS applications for compliance are also increasingly available. Conducting an Internet search with a heading such as “scorecarding receiving audit software” will help your search efforts.

The main objectives in selecting a vendor compliance software solution are to eliminate the need for paper forms and completely automate the reporting and scorecarding.

## BENEFITS

- ✓ Either through a desktop or mobile application, the application allows the receiving team to quickly answer the audit questions without being burdened by the paperwork.
- ✓ Ability to dictate automatically the percentage of loads to be audited by supplier and carrier.
- ✓ Creating the vendor scorecards is automated and timely.
- ✓ Additional reports and historical data are quickly accessible.
- ✓ Eliminate all labor required for data processing.
- ✓ Data can be electronically integrated with other information systems.

## CHALLENGES

- ★ Unless already included in either your WMS, Dock Scheduling application or other software tool, the compliance and receiving audit tool will require an additional investment.
- ★ Initial resistance from the receiving team that can struggle to adapt to new software tools.

# WEIGHTING THE SCORECARD

Now that you've implemented an auditing process and collected the data, you've accomplished the most difficult part. However, success is in the details and a craftsman is never satisfied with his work until the finishing touches are applied. Scorecarding requires that you not only compare your supply chain partners, but that you also evaluate the relative importance of each fault and their relative occurrences. The severity of the faults may vary; thus the ranking must reflect this by categorizing the faults in either tiered stages (low, medium & high), or using a point system (i.e.: 0 – 10) that is broad enough to be fair and in line with your business objectives.

A combination of both methods, where a point system is applied to each tiered stage, is also feasible and potentially a better method.

- ★ How many demerit points would you attribute to each fault?
- ★ Could you regroup certain faults into a low, medium and high severity buckets?

Finally, scorecards, as with audit and fault reports, need to be timely in order to be effective with your partners. Reporting faults need to be immediate (within 24 hours and resolved ideally within 48 hours), while scorecards can be communicated to your supply chain partners on a monthly or quarterly basis.



## Remember...

Detect patterns; are the patterns solely your supply chain partner's responsibility or are they reflective of changes in your business process?  
Rank suppliers and carriers; compare who's doing it right and determine why the others aren't.

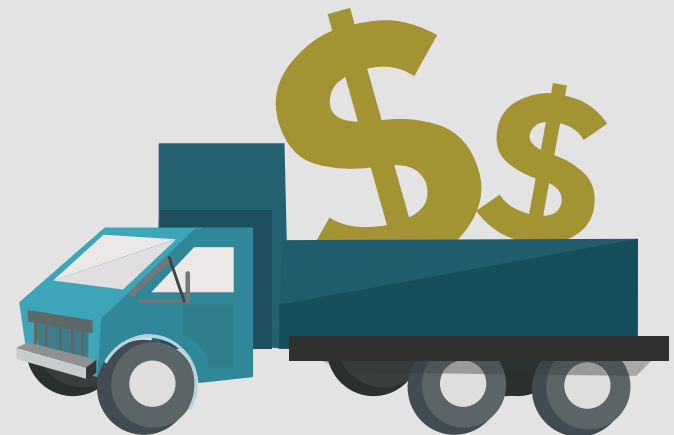
# USING THE AUDITS TO MANAGE CHARGEBACKS

Chargebacks (fines) are applied to create an additional incentive for the supply chain partners to respect the merchandising policies set forth. Leveraging the audit and late arrival reports to manage chargebacks greatly facilitate the process.

- ★ Reports on the timeliness of the shipment (comparing expected delivery date and appointment time; the arrival, unloading and departure times) are easily obtained if you utilize a dock scheduling application. Otherwise, using a manual paper trail system is cumbersome, often delayed in its execution and thus open to being contested by vendors and carriers alike.
- ★ The audits are required in order to effectively fine for faults relative to the merchandising policy. Typically, the audit reports are sent to the finance department who are responsible for applying the claims (credits) on the monthly invoice statements.
- ★ In order to facilitate the process even further, look for an audit system that associates the precise value of each fault as they are captured during the audit process, thus providing instant visibility on the value of the chargeback. With this integrated feature, it is possible to provide the finance department a detailed fault report by vendor and tally the sum of all the fines automatically.

As stated by an international retailer, implementing chargebacks must be done progressively in order to respect the supply chain partners.

In order for the program to be fair, consistent and effective, the business requires a good audit system.





Hopefully this EBook will help our readers realize that there are simple ways of successfully implementing a receiving audit and scorecarding process.

Companies who have an auditing and scorecarding process in place cannot imagine operating without them today. The visibility it provides on their supply chain as well as on potential internal issues is invaluable to them.

### The C3 Sales & Marketing Team

Solving the scheduling madness one warehouse at a time



**Contact us for a live demonstration** and find out how **C3 Reservations** can solve your scheduling madness and be the tool you need to implement audits and scorecarding.

[REQUEST A LIVE DEMO](#)



# About C3 Solutions

C3 Solutions is a leading provider of software solutions dedicated to the area of **yard management** and **dock scheduling**.

C3's customers are fortune 1000 companies in the retail, manufacturing, transportation and post and parcel industries. C3's products include its award winning yard management software, Yard Smart and its on-demand dock scheduling system - C3 Reservations.

Founded in 2000 and based in Montreal QC, C3 Solutions has customers in the United States, Canada and Europe.

For more information on C3's products, schedule a **free online demonstration**:



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[www.c3solutions.com](http://www.c3solutions.com)

