Improving the Billing Cycle in Downstream Fuel

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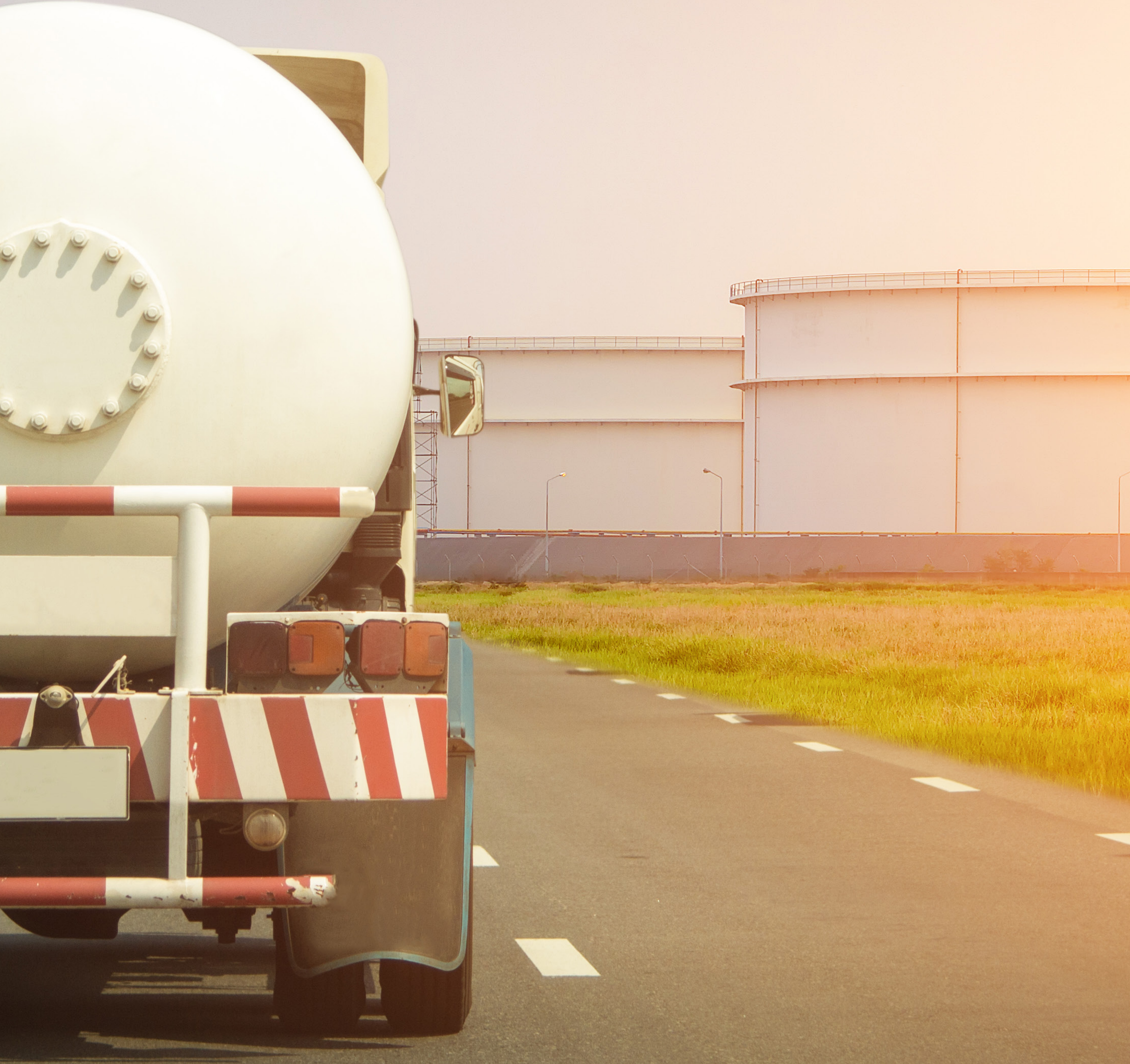
Reconciliation is no one's favorite task, but everyone likes revenue. So, every month, accounting employees make sure there's plenty of coffee available, and steel themselves for long days (and sometimes nights) tracking down all the inventory documents of the last 30 days.



The Issues

Just finding all the documentation is a challenge. Bills of lading and other inventory documents arrive at various times, and some will inevitably be mis-flagged. By the end of the month, an accountant looks in the location he thinks a BOL will be, but it's not there. This requires a bit of forensic psychology: if it was not filed by date, how was it filed? Alphabetically by supplier? By carrier? Perhaps numerically, based on product code? Our coding system, or theirs? Another possibility is that a BOL has been lost altogether, requiring immense time to research and reproduce it.

Quite often, supplier documents span two different billing cycles: The supplier portal yields documents for the entire shipment of a product, but the product in question was delivered over a span of days that cross months.

Additional documentation is usually required for electronic bills of lading (eBOLs). This so-called "second source" data rarely lines up neatly with the eBOL record. This leads to more of the previously mentioned "creative" filing systems.

Suppliers usually use different systems than your accounting team. Product codes are not standardized, and terminal identification can be duplicated. For example, two terminals may share the same abbreviation. In another example, two products have the same letters and numbers, just in a different sequence. These types of discrepancies require data to be manually typed into spreadsheets and converted into a format that is compatible with the office accounting software used in reconciliation. Manual data entry and conversion is where the majority of errors occur, and those errors are notoriously time-consuming to track down, since the data must be traced back to its original source, not the spreadsheet.

One unbilled BOL can cost over $15,000

Critical to revenue

A single unbilled BOL can have a negative cost impact to your business north of $15,000. Thus, the problem of reconciliation is a critically necessary one. Many leaders have thrown in the proverbial towel, resigning themselves to spending significant company resources towards the ironic goal of gathering more resources for the company. One accountant relayed to me that over 70% of his work was exclusively on reconciliation. His experience is hardly an outlier. Across the industry, hundreds of thousands of labor hours are consumed every month. Imagine the growth that could be unlocked if some of those resources were applied instead to more innovation or upgraded tools in the business.

Solution: Specialization

The ideal solution is one that reduces the need for human intervention. The fewer opportunities for error, the less time required to fix those errors. One way to accomplish this is to establish one person in your accounting office as the reconciliation manager. It will be this person's task to ensure all incoming inventory documents are correctly filed. He or she will:

- Design, implement and maintain a records system
- Ensure that documentation is stored in such a way that eases retrieval
- Be the single point of contact for staff who are performing reconciliation tasks

An accountant can ask the reconciliation manager for records of all product brought in during the past 30 days, with the knowledge that the reconciliation manager will assemble the record correctly. This prevents employees from needing to navigate multiple storage schemas for different documents. Having a single source of truth also prevents redundant work.

At first glance, it might seem like a loss of productivity to remove other tasks from the reconciliation manager's portfolio. However, the gains from fewer errors and more efficient billing should outweigh that modest realignment of responsibilities. Also, if 70% (or more) of an accounting employee's time is already spent on reconciliation, it isn't too much of a sacrifice to make it 100% of their job. In fact, it will likely have the effect of reducing the stress of reconciliation. With the reconciliation manager's extra time built into the billing cycle, there is more opportunity to verify the accuracy of the data.

Another approach would be to automate the intake, filing and classification of inventory documents using software. TIMS Journal ID, a new product from DTN, is an example of such a solution. Adding intelligence to the data TIMS already tracks, Journal ID converts inventory data from multiple sources into a single XML feed, preparing it to flow easily into whatever back-office system is in use. The benefits of this automation are immediate to the accounting team. Manual filing, retrieval and conversion of data is almost entirely eliminated, saving valuable time. In addition, such automation prevents the errors inherent in manual data conversion.

Using DTN TIMS Journal ID, the reconciliation manager can request any documents from the past 30 days, and they'll be retrieved correctly and instantly, regardless of supplier or proprietary code. In fact, with such improved efficiency, there's no reason to wait until the end of the month to perform reconciliation. The billing process can be initiated and finished whenever is convenient for the business, realizing revenue faster.

As a result of using dedicated personnel with a tool built specifically for their purpose, reconciliation becomes a well-managed, more efficient and less error-prone process.